| | | |
|---|---|---|
| Austria .... Sch. 20 | Indonesia .. Rp 3100 | Philippines . Pes. 20 |
| Bahrain .. Din 0.650 | Israel .... NS 3.50 | Portugal .. Esc 100 |
| Belgium .... BFr.45 | Italy ....... L 1600 | S. Arabia .. Rls 6.00 |
| Canada .... C$1.00 | Japan ....... Y600 | Singapore . S$ 4.10 |
| Cyprus .... C£0.75 | Jordan .... Fils.500 | Spain .... Pta 125 |
| Denmark . DKr.8.00 | Kuwait .... Fils.500 | Sri Lanka ... Rup 30 |
| Egypt .... E£1.50 | Lebanon . £L 25 00 | Sweden .. SKr 8.00 |
| Finland .. Fmk 7.00 | Luxembourg . LFr.45 | Switzerland SFr 2.20 |
| France .. FFr. 6.50 | Malaysia .. Rm 4.25 | Taiwan ... NT $65 |
| Germany . DM 2.20 | Mexico .. Pes. 300 | Tunisia .. Din 1.375 |
| Greece ..... Dr 80 | Morocco .. Dh 6.00 | Turkey .... L 350 |
| Hong Kong . HK$ 12 | Netherlands . Fl 3.00 | U.A.E. ... Dh 6.50 |
| India .... Rup. 15 | Norway .. Nkr. 7.00 | U.S.A. .... $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,138 Tuesday January 20 1987 D 8523 B



**Unkind cut for wage slaves in search of a dream, Page 4**


World news | Business summary

## Senate report blow to Reagan

The White House ignored its own guidelines for conducting covert operations as well as ignoring legal reporting requirements to Congress, according to a draft report on the Iran arms scandal prepared by the Senate Intelligence Committee.

The highly-critical report, leaked to the New York Times, is an embarrassing blow to President Reagan as he prepares his State of the Union address. It paints a picture of an Administration floundering under the weight of divided counsels. Page 4

### Israelis kill four

Israeli troops killed four armed guerrillas who infiltrated Israel's self-declared security zone in southern Lebanon. PLO positions near Sidon were shelled by Israeli gunboats.

### Opposition splits

Spain's right-wing opposition Popular Coalition broke up when the Liberal Party pulled out to form a separate parliamentary group. The Popular Alliance, the senior coalition partner, becomes the main opposition to the ruling Socialists.

### Dutch company quits

SHV Holdings, the Dutch wholesale chain, said it was "conceding to terror" and withdrawing from South Africa after an anti-apartheid group set fire to three of its stores in the Netherlands. Page 3

### Italian doctors strike

More than 100,000 hospital doctors began a series of strikes expected to bring chaos to Italy's medical services. Teachers also began sporadic work stoppages but unions representing more than a million metalworkers struck a deal with employers.

### Six shot in Punjab

Sikh extremists shot dead six people in the Punjab, including Joginder Pal Pandey, a former minister, and his bodyguard. The other victims were two teachers, a government doctor and a goldsmith.

### Contadora mission

The foreign ministers of eight Latin American countries, accompanied by UN Secretary General Javier Perez de Cuellar, arrived in Costa Rica at the start of a mission aimed at reviving the Contadora peace initiative for the region.

### Border blockade

About 3,000 West German pig farmers blocked several crossings on the Dutch border with tractors and farm machinery in protest at cheap Dutch imports.

### Pravda blames delays

Pravda editor-in-chief Victor Afanasyev criticised Soviet emigration policy, saying that delays in processing requests for exit visas were creating political martyrs whose status was then exploited by Western propaganda. Page 2

### Djilas can travel

Yugoslavia has given a passport to dissident Milovan Djilas, 70, Tito's former No 2, who has been trying to travel abroad for 15 years. His son lives in London.

### Pompeii threatened

The historic ruins of Pompeii are threatened by a plan for a four-lane road which would pour through what remains of the necropolis and encase in concrete the still unexplored archaeological remains. Page 2

### Knesset fist fight

A woman MP was injured in a fist fight in the Israeli Knesset over a meeting between leftist MPs and a Soviet delegation. Geula Cohen, of the nationalist Tehiya Party, broke her wrist when she was knocked to the floor.

## Wall St passes 2100 barrier

**WALL STREET:** Dow Jones industrial average rose above 2100 for the first time, closing up 25.87 at 2102.50.

A strong surge in technology stocks helped the index continue its uninterrupted string of New Year gains, matching the record sequence of 12 consecutive rises set in 1970. The 100 point advance from 2000 to 2100 was the fastest in Wall Street history, taking just 11 days from January 8 to yesterday's close. Page 38

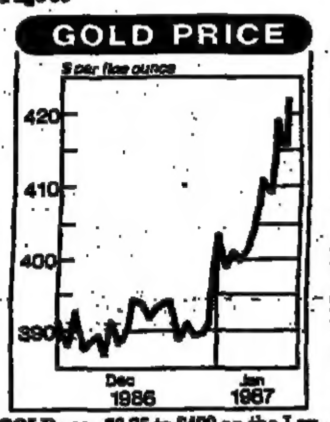
**FERMENTA:** Share price sank to a new low as trading in the embattled Swedish antibiotics and animal health care group re-started on Stockholm's unofficial market following the company's expulsion from the stock exchange last week. Page 17

**WEST GERMAN** Government is to sell its 25.55 per cent stake in the energy and chemicals concern Veba in March. It expects to raise DM 3bn ($1.6bn). Page 17

**LONDON:** Nervousness over the sharp fall in the dollar and the early downturn on Wall Street brought the two-week upswing in share prices to a halt. The FT-SE 100 index closed 10.6 down at 1,778.4 while the FT Ordinary index shed 6.0 to 1,397.0. Gilts closed with losses of nearly half a point. Page 38

**TOKYO** edged to a record high on rate hopes. The Nikkei market average firmed 39.05 to 19,188.88. Page 38

GOLD PRICE




**GOLD** rose $6.75 to $422 on the London bullion market. It also rose in Zurich to $422.75 ($416.55). In New York the Comex February settlement was $423.30. Page 30

**DOLLAR** closed in New York at DM 1.8175; SFr 1.5222; FFr 6.0775 and Y151.60. It fell in London to DM 1.8120 (DM 1.8440); it also fell to Y151.30 (153.40); to FFr 6.06 (FFr 6.17); to SFr 1.5180 (SFr 1.5440). On Bank of England figures the dollar's index fell to 103.7 from 105.1. Page 31

**STERLING** closed in New York at $1.5303. It rose in London to $1.5340 ($1.5160); but fell to DM 2.78 (DM 2.7950); to FFR 9.2950 (FFr 9.3525); to SFr 2.3275 (SFr 2.34); and to Y232.06 (Y232.50). The pound's exchange rate index remained unchanged at 69.00. Page 31

**AETNA** Life & Casualty, large US insurance company, and a group of US and UK financial institutions, have raised more than $100m to back a joint reinsurance company specialising in directors & officers (D&O) liability insurance. Page 17

**WESTINGHOUSE** Electric, diversified US industrial group, has reported an 11 per cent increase in net profits to $670.8m on virtually flat sales for the year ended December 31. Page 17

**PKBANKEN,** Swedish state-controlled bank, is to develop newly acquired English Trust as a main component of its international investment and commercial banking business. Page 18

**MICROSOFT,** US software house which put Basic programming language on to computers, boosted second-quarter net income by 80 per cent to $19.7m, from $10.9m. Page 17

**FISCHER,** the Austrian ski and sports equipment company, is to set up a ski manufacturing plant at Mokachervo, in the south-western Ukraine. Fischer will plan the factory and provide the specialised machinery and know-how. Page 4

# Iraqis flee Basra as Iran keeps up costly offensive

BY ROGER MATTHEWS IN MUSCAT

IRANIAN military advances over the past 12 days will render Iraq's second largest city, Basra, virtually uninhabitable to civilians, some Western and Arab diplomats in the region fear.

This serious reverse for Iraq in the Gulf War will be suffered even if Iran does not attempt to storm the remaining defensive lines east of Basra, they say.

Iran has moved artillery to within seven miles (11 km) of the city which, before the start of the war in September 1980, had a population of over one million. Reports from Basra say shells have been landing at the rate of more than one a minute, causing extensive damage and forcing many thousands to flee their homes.

Baghdad said yesterday evening that its forces still controlled the southern front and had repelled three attempts by the Iranians to pierce Basra's defences. There was no confirmation of an Iranian claim to have crossed the "Jasim River" – a reference to the canal connecting the Shatt al Arab to man-made Fish Lake to the north.

Iranian forces are seeking to overwhelm the three huge defensive lines protecting Basra, while other units are broadening the front by seizing low-lying islands in the Shatt al Arab waterway which separates the two countries south of the city.

The cost to Iran of maintaining the offensive will add substantially to the already heavy casualties it has suffered. But if its forces were able to reach the outskirts of the city Iraq's military commanders would face a critical decision on whether to fight for Basra street by street.

Iraq suffered heavily in October and November 1980 during house-to-house fighting in the neighbouring Iranian port of Khorramshahr, where its superior fire-power and armour proved of little value against highly mobile and committed defenders.

However, if Iran does press on with its offensive it too will be forced to gamble by drawing heavily on its limited stocks of equipment and ammunition. During the past three years Iranian attacks have usually been halted within a fortnight, despite territorial gains.

The longer Iran continues its present offensive the greater the need to demonstrate a substantial political success to its population.

*Should Iran fail in this objective,* it is probable that it would face both increased anti-war feeling at home and an extended delay before it could even consider launching another attack.


The sound of the heavy guns can be clearly heard in Kuwait, which of all Iraq's Arab supporters is showing the greatest nervousness about the progress of the fighting. Kuwait has become the focus of aggressive Iranian propaganda during the past month as it prepares to host a summit meeting next week of the 46-nation Islamic Conference Organisation. Four tankers carrying its oil and petroleum products have been attacked by the Iranians in the past two weeks.


**Continued on Page 16**

Mystery over US jets, Page 3; White House "flouted rules", Page 4


# Dollar fall continues despite international efforts to halt slide

BY OUR FOREIGN AND ECONOMICS STAFF

THE DOLLAR, confounding expectations that this week would see a recovery after its recent precipitous fall, opened sharply lower yesterday despite another wave of Bank of Japan purchases and apparent efforts by international officials to talk the currency higher.

However, after a hectic morning in which European traders raced to adjust their positions to the decline in the Far East, activity calmed in the absence of US banks, which were closed for a public holiday.

The dollar had plunged in Tokyo to a post-war low of Y150.45 in record trading volume of more than $10bn despite the Bank of Japan's intervention. However, it recovered some ground to close in London at Y151.30, still well below the pre-weekend close of Y153.40.

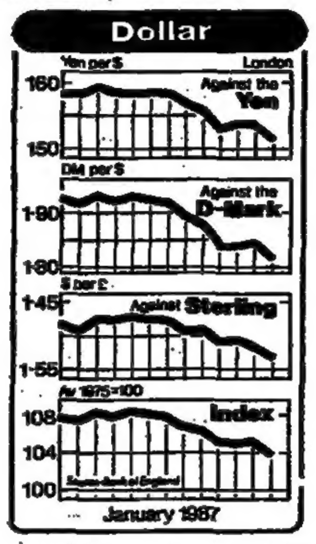
It remained weak against the D-Mark, closing in London at DM 1.8120 from Friday's closing of DM 1.8440. It had touched a low of DM 1.8025, a level not seen since mid-October 1980.

Sentiment remains firmly weighted against the dollar. However, yesterday saw some caution against pushing the dollar even lower from its historically weak levels, particularly amid confusion about how the key Group of Five players will react to events on foreign exchanges.

Speculation centres on the possibility of interest-rate cuts in West Germany and Japan once the German election on Sunday is out of the way.

The Japanese authorities were in some disarray yesterday, fearing that the fresh strengthening of the yen would undermine the economy's modest growth prospect this year.

Dollar




Some officials were bitter at the lack of US efforts to halt the dollar's fall, while others warned that speculators would be hurt when the New York market opened today. There were calls for early high-level international meetings to discuss exchange rate problems.

Mr Kiichi Miyazawa, Japan's Finance Minister, said that the West German authorities had proposed consultations with Japan aimed at stabilising foreign exchange markets.

However, he said there were limitations on what the two countries could achieve and warned that before any bilateral discussions were held with West German officials, the two sides should be reasonably sure of what they could agree on.

Bank of Japan officials and Mr Miyazawa steered clear of direct criticism of the US authorities for their apparent lack of concern about the dollar's fall. They said they were receiving no clear signal that the US was deliberately taking the dollar down.

Some central bank officials, however, were quoted as threatening to stop co-operation with the US on interest rate policy unless the US provided more support for the dollar.

In West Germany, the continued fall in the dollar caused a sharp fall in share prices and raised speculation among foreign exchange dealers that the discount rate might be cut from the present 3.5 per cent at Thursday's meeting of the Bundesbank council.

Mr Gerhard Stoltenberg, the Finance Minister, will be at the meeting to discuss the latest EMS realignment. He said yesterday that the central bank would also be looking at how much scope there was for interest-rate cuts.

Responding to suggestions of possible talks on the currency markets between Japan and West Germany, Mr Stoltenberg said there were regular contacts between officials but no plans for a political meeting.

Many foreign exchange dealers expect a discount-rate cut after the election. However, they are doubtful whether such a move would be made on Thursday after Mr Karl Otto Pöhl, president of the Bundesbank.


**Continued on Page 16**

Export fears hit West German shares, Page 2; currencies, Page 31


# Guinness shares buyer won car fleet contracts

BY CLIVE WOLMAN IN LONDON

*THE CONTRACTS* for the management and maintenance of the Guinness and Distillers car fleets, numbering about 300 vehicles, were awarded to Mr Gerald Ronson's Heron Corporation during and after the Guinness takeover battle for Distillers last year, it emerged yesterday.

Mr Ronson was a large-scale purchaser of Guinness shares during the final stages of the takeover battle when, the company has admitted, some of its officers mounted a massive share manipulation exercise in possible breach of the UK Companies Act. The purpose of the operation, which is believed to be the focus of an investigation by Britain's Department of Trade and Industry (DTI), was to boost the Guinness share price artificially and enhance the value of its offer to Distillers shareholders.

Mr Ronson said yesterday that he had informed the DTI inspectors of his purchases of Guinness shares and had offered his ongoing co-operation. By the time that Guinness had won the takeover battle on April 18, Mr Ronson, through a Heron subsidiary, H.H. Investment Trading, had spent nearly £2.5m ($3.8m) on buying Guinness shares.

The first contract was awarded to Herondrive early last year, shortly after Guinness launched its contested takeover bid for Distillers. Herondrive is a subsidiary of Heron Motor, which in turn is owned by Heron International, a private company controlled by Mr Ronson. The contract, which was put on a trial basis, applied to about 100 cars of the sales force and management of the Guinness Brewing companies and the Guinness holding company.

The second contract, which covers about 200 cars, was for the nationwide salesforce and managers of Distillers. It was awarded in October, shortly before the DTI investigation began.

In return for what is believed to be a substantial fee, Herondrive handles all the paperwork when Guinness and Distillers company car users repair their vehicles at specified garages. The company also monitors the repairs record of the individual car users and of the garages and checks on the pattern of usage of the fleets. Previously, Guinness and Distillers carried out all the administrative work in-house.

Last week, the board of Guinness, after dismissing the company's chief executive Mr Ernest Saunders, said that it was investigating a sum of £25m paid by the previous management in fees. It suspects that the money was used to reward those who supported Guinness through their share purchases during the takeover bid.

The company is also investigating the transfer in November of the Dewar's whisky trademark in the US to Schenley Industries, owned by Mr Meshulam Riklis, which was a heavy purchaser of Guinness shares during the takeover bid. Guinness has not yet determined whether the trademark, which can be recalled in limited circumstances, would have commanded a significant price had it been sold on an arm's length basis.

Under the Companies Act, a company is obliged to disclose to its shareholders any material contract and any agreement which is related to the purchase of its own shares.


Editorial comment, Page 14;


# China's future may hang on fate of officials

By Robert Thomson in Peking

THE CHINESE leadership crisis has been far worse than so far thought and the future political direction of the country could depend on what happens to two very senior officials closely linked to Hu Yaobang, who resigned in disgrace as Communist Party chief last Friday.

Speculation has been rife about the circumstances leading to the fall of Mr Hu, a close friend and confidant for more than 40 years of Deng Xiaoping, the Chinese leader.

Chinese officials have now told the Financial Times privately that the real problem concerned Vice Premier Wan Li and the head of the Communist Party secretariat, Hu Qili, who runs the day-to-day affairs of the party.

Both are renowned supporters of political and economic reform and both came under severe criticism from Deng for being too liberal and failing to clamp down hard on the recent wave of student demonstrations before they got out of hand.

When it was clear that both might lose their posts, Hu Yaobang intervened on their behalf, defending both their soft tactics with the students and their generally more liberal politics.

This resulted in a showdown Hu Yaobang and Deng which, inevitably, Hu lost.

The question now is what happens to Hu Qili, who has substantial power as day-to-day organiser of party affairs, and Wan Li, in the coming weeks and months? If either or both lose their posts it will be clear that conservative power continues to grow in the ruling politburo, and economic reform, originally strongly supported by Deng, will lose momentum rapidly in the same way as is now happening to political reform.

If they survive, the leadership upheavals will be over for the time being, but both will be in a curiously neutered position as officials operating at the highest levels of power knowing that Deng wanted them ousted.

Deng is known to have had reservations about Hu Qili, who most observers had expected would eventually replace Hu Yaobang as party secretary-general.

Hu Yaobang's fall from political grace has a background of growing conservative strength, which, diplomats believe, Deng tapped in order to remove him. The present campaign against "bourgeois liberalism" and the renewed emphasis on ideology are seen as a reaction to the liberal political debate of recent months.

In dividing up the Chinese leadership, well-informed diplomats sug-


**Continued on Page 16**


# Olivetti and Canon form venture for office equipment production

BY ALAN FRIEDMAN IN MILAN AND DAVID THOMAS IN LONDON

OLIVETTI, the Italian information technology group, and Canon, the Japanese copier manufacturer, have formed a joint venture company, based near Turin, to develop and make copiers, laser printers, facsimile transmitters and other office equipment.

*The new company is Canon's first* joint manufacturing venture in Europe and the first Japanese joint venture in Italy in the electronics sector.

It is also an unusually equal partnership for a joint venture between a Japanese and a non-Japanese company.

The venture, to be called Olivetti-Canon Italy, will start up next month and will be based at Olivetti's reprographics factory in Aglie, near Turin, which employs 350 people.

It will begin by producing copiers in Italy, using both companies' technology and selling through distribution channels in Europe already developed by Olivetti, Canon and Triumph-Adler, the West German office equipment maker acquired last year by Olivetti.

Olivetti is transferring both its copier research and production activities to the venture, while Canon will invest about L10bn ($7.6m) over the next three years and will transfer technology to it, particularly that connected with laser printing and other electronic publishing systems.

The new company, equally owned by Olivetti and Canon, will have an initial capital of L6bn and hopes to reach annual sales of about $300m within two years from copiers. This will involve more than trebling the annual output of the plant, now running at 22,000 units a year.

Manufacture of laser printers and facsimile equipment is scheduled to start next year. Canon does not at present make facsimile equipment in Europe, although it makes some laser printers in France.

Mr Takeshi Miterai, President of Canon Europe for marketing, said in Milan yesterday that the Japanese company saw the deal with Olivetti as "very important for our expansion in the European market."

Canon has been expanding its copier manufacturing plants in France and West Germany, which are not part of the joint venture.

Mr Miterai said the Japanese company had about 20 per cent of the copier market in Europe. Olivetti claims to have about 5 per cent of the European copier market, much of which comes from Triumph-Adler copier sales in the German market.

Mr Elserino Piol, Olivetti executive vice-President for corporate strategy, said that some agreements which Triumph-Adler had with Japanese companies would come under review as a result of the Canon-Olivetti joint venture, but that Olivetti's relationship in Japan with Toshiba, where the two companies market each other's products, would not be affected by the Canon deal.

Mr Piol said that Canon and Olivetti would continue to be competitors in the typewriter market.


Toshiba steps up European output, Page 16


CONTENTS

DOLLAR CONTINUES RAPID SLIDE AGAINST D-MARK

# Fears for exports hit West German shares

BY ANDREW FISHER IN FRANKFURT

LEADING West German shares fell sharply on the Frankfurt stock market yesterday as investors showed mounting concern about the effects on the country's exports of the dollar's continued rapid slide. With the dollar falling to just above the DM 1.80 level, the lowest since mid-October 1980, foreign investors decided to take profits on shares bought when the D-Mark was much lower, dealers said.

Further declines in the stock market, which has drifted since its four-year advance ended last April, are expected by many dealers. The Commerzbank index fell yesterday to 1,897 points from 1,926.

The drop came amid growing signs that the Bonn Government would like the Bundesbank to consider dropping its opposition to a cut in interest levels and cut the key discount rate from its present 3.5 per cent. Despite US and other foreign pressure, the Bundesbank has refused to do this. Mr Karl Otto Poehl, president of the central bank, said last month that no cut could be expected before or shortly after the general election next Sunday.

The US wants the discount rate reduced in West Germany as part of a stimulus to the powerful West German economy and thus to US export growth. But the Bundesbank has argued that the rapid rise in money supply has been providing enough of an impetus.

The state of the dollar and the arguments for and against a discount rate cut will be discussed at this Thursday's meeting of the Bundesbank's policy-making council, to be attended by Mr Gerhard Stoltenberg, Finance Minister. Yesterday, the latter said he would attend the meeting to talk about the latest realignment within the European Monetary System. But he said the Bundesbank would be examining to what extent there was scope for interest rate cuts.

Mr Friedhelm Ost, the government spokesman, said in an interview with Die Welt, the daily newspaper, that the increased scope for the Bundesbank in monetary policy after the EMS realignment (which involved a D-Mark revaluation) could be used for further interest rate moves.

The ruling centre-right coalition headed by Chancellor Helmut Kohl is expected to win next Sunday's election, but the economic solidity on which much of its appeal is based is being increasingly called into question by investors, economists, and industrialists. As shares such as Daimler (down DM 33 to DM 1,095), Siemens (down DM 15 to DM 697), and Deutsche Bank (down DM 11 to DM 780) were being sold yesterday, a leading Munich-based bank, Bayerische Hypotheken- und Wechsel-Bank said the growth forces in the economy had passed their zenith.

This would increase the problems on the labour market, with the rise in the number of new jobs slowing and unemployment *still averaging more than 2m* people over the whole year, it said in its latest economic review.

# EEC steelmakers offer first capacity cuts

BY WILLIAM DAWKINS IN BRUSSELS

LEADING EEC steel producers yesterday revealed the first details of the capacity cuts they are offering in an attempt to head off European Commission plans to liberalise the industry.

They delivered a report to a sceptical Mr Karl-Heinz Narjes, the Commissioner for Industry, outlining potential closures worth 9.17m tonnes of annual production. "There is a major gap between what has been put forward and what is needed — a major and uncomfortable gap," said Mr Narjes.

The study is the result of interviews by the accountancy firm Peat Marwick with 20 of the 22 members of the Eurofer association of integrated steel producers, plus six independent companies. However, it stops short of naming the groups or even the countries which would make the closures. These details, along with proposals for more cuts, are to be the subject of a final report to be handed to the Commission by March 1.

That deadline has been set by the Brussels authorities to allow time for Eurofer's scheme to be put before a meeting of EEC industry ministers on March 19. The report is Eurofer's initial step towards producing practical details of how to implement its offer last autumn to close 11.9m tonnes out of the EEC's total of 140m tonnes of steel capacity between next July and the end of 1990.

Yesterday's document falls well short because it is incomplete. The second stage will look for extra cuts from the EEC's 14m tonnes of steel plate-making capacity and among cold rolling mills. Its biggest targets are coils and narrow strip, for *which it proposes 3.725m tonnes* of cuts, wire rod, with more than 2m tonnes, and light sections, with 1.89m tonnes.

Even if Peat Marwick does succeed in identifying enough closures to enable Eurofer to meet its offer in full, that still leaves a wide gap between the steel producers' 11.9m tonnes and the Commission's forecasts that EEC steelmaking overcapacity could range from almost 22m tonnes to more than 30m tonnes by the end of the decade.

**EEC STEEL PRODUCTION**
in tonnes

| | Potential closures | Present capacity |
|---|---|---|
| Coils: wide strip | 3.325 | 66.6 |
| Narrow strip | 0.4 | 3.95 |
| Hot rolled plate | 0.6 | 14.1 |
| Heavy sections | 0.87 | 12.35 |
| Light sections | 1.89 | 27.6 |
| Wire rod | 2.085 | 14.5 |
| Total | 9.17 | 139.1 |

*Sources: European Commission and Peat Marwick*

# Anti-British feeling could sink Plumb bid

BY QUENTIN PEEL IN BRUSSELS

THE THREAT of an anti-British backlash in the European Parliament, aggravated by the growing North-South divide between EEC member states, could today upset the election of its first British president.

Sir Henry Plumb, the former British farmers' leader and latterly the top Tory in the Strasbourg assembly, remains marginally the favourite in a closely-fought contest for the post.

*His key rival is Mr Enrique* Baron Crespo, former Spanish Minister of Transport, and now the Socialist group candidate. But the election is complicated by the presence of maverick Italian politician Marco Pannella, leader of the Radical Party, and a runner for the Greens in the shape of Mr Paul Staes, a member of the Belgian ecology party.

If today's voting were to follow ideological lines, Sir Henry would expect to be elected, for the centre-right parties enjoy a clear majority —backed by 273 in the 518-seat assembly.

The threat to his chances comes from the *danger of* defections from the majority, motivated as much as anything by opposition to a British candidate seen to be backed by Mrs Margaret Thatcher, the British Prime Minister.

After her bruising encounter with the European Parliament at the end of the British presidency last month, MEPs particularly in the 41-strong Liberal group (considerably to the right of the British Liberal party) threatened to boycott Sir Henry. Today they will have a free vote, and many may throw their weight behind Mr Pannella.

Mr Baron's strength is that he is a more youthful and *dashing candidate than Sir* Henry, speaking several languages (instead of the monoglot Plumb), and having the credentials of former cabinet rank. His weakness is that he has never been directly elected, as one of the first intake of nominated Spanish members, and may have to stand for election in the course of the year.

The suspicion is that other candidates may lurk in the wings. Mr Pierre Pflimlin, the current president, retiring on the eve of his 80th birthday, insists that he will not stand again as the acceptable choice of the centre-right, in spite of rumours to the contrary.

The other dark horse is Mrs Simone Weill, the Liberal leader, and former president from 1979 to 1981, a strong personality but with enemies as well as friends.

# Pravda chief attacks delays in granting emigration visas

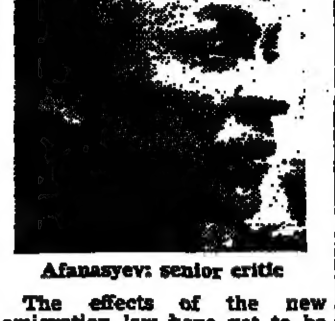
BY PATRICK COCKBURN IN MOSCOW

THE DELAY in granting visas to people who wish to emigrate from the Soviet Union damages Soviet interests, according to Mr Victor Afanasyev, editor-in-chief of the Communist party daily newspaper, Pravda. Under a new law on emigration introduced on January 1 this year "everything will be simpler and quicker," he says.

The thrust of Mr Afanasyev's criticism of Soviet emigration procedures is that bureaucratic delays creates political martyrs whose status is then exploited by Western propaganda.

The significance of his article is that it is the first time that a senior member of the central committee, the 307-member body to which most top Soviet officials belong, has criticised the way emigration is handled.

"We are dragging out decisions about the departure of a dissident. The Western Press raises a big fuss about this or that name," Mr Afanasyev writes. Then, by thinking about somebody's departure for too long, Moscow gives the Western media the opportunity to create a political martyr whose release is "an occasion for the next round of anti-Soviet campaigning," he says.



Afanasyev: senior critic

The effects of the new emigration law have yet to be seen, although some Soviet Jews, the bulk of potential emigrants, say they fear it may in fact make it more difficult to leave the country.

However, Mr Yuri Kashlev, head of the Foreign Ministry's department for humanitarian and cultural affairs, said last week that he expected the new regulations to increase exit visas substantially. The number of Soviet Jews emigrating fell from 51,000 in 1979 to about 1,000 last year.

# Road plans disturb living and dead in Pompeii

By John Wyles in Rome

SOME MEN, it seems, are determined to succeed where Mount Vesuvius failed. Having been substantially reclaimed from the lava which engulfed the town in AD79, Pompeii is now threatened by a plan for a four-lane road which would pour through the ruins of its necropolis and encase in concrete *still unexplored archaeological* remains.

Instead of echoing as it does now on summer evenings to the orchestral refrains of Beethoven and Bach, the Pompeiian amphitheatre would afford a grandstand view of heavy lorries and racing Fiats.

Parts of ancient Pompeii would thus be sacrificed to the requirements of late 20th century economic growth and traffic congestion as defined by the commune which governs the modern town of Pompeii.

Mayor Nunzio Machetti, believes the road would allow the town to overcome the constraints imposed by two railway lines and two rivers. "We do not have any choice if we want to grow," he told the Italian newspaper, Corriere della Sera.

"That is absolute nonsense. There are a thousand possible solutions to the traffic problem," fulminated Mr Antonio Iannello, national secretary of Italia Nostra, the conservationist group.

Environmentalist anger at the road building proposal is fuelled by the apparent obstinacy of the Pompeiian authorities. "The idea first surfaced about 15 years ago and was blocked. Now they have come up with virtually the same proposal. It's madness," Mr Iannello said yesterday.

He and the archaeological superintendant at Pompeii are determined to organise a worldwide campaign if necessary to block the plan. Not only would it cover in concrete ground which has yet to yield up its historic artefacts, but it would also split the necropolis in two, condemning the remains of such as Marco Servilio and his wife Melissea to an eternity of traffic noise and vibration.

Mayor Machetti believes that the interests of the ruins would be protected by 30 metre-wide grass verge on each side of the road. Mr Iannello is gruffly incomprehending. "Modern Pompeii has no feeling for the ancient town, except for the tourism it brings. They believe it is progress to build roads everywhere without respecting the ruins," he said.

The Ministry for the Environment and Culture will have to approve the road-building plan and it seems inconceivable that it would do so. But Mr Iannello is leaving nothing to chance and the committee of experts which advises the Ministry will be lobbied furiously to ensure that the road is buried more permanently than old Pompeii.

The opposition is receiving welcome support from Italy's organised crime fighters. Naturally, no public works proposal in the Naples region—especially one worth about £30m—can be free of suspicions of influence by the Camorra, the local Mafia.

Accordingly, the papers associated with the proposal have been seized by the Government's anti-Mafia commission which will probably need them for a lengthy study. Thus, Italian bureaucracy's natural inertia may help guarantee many more years of peace for the illustrious dead in Pompeii's necropolis.

# Death rates on rise in E Europe

By Christopher Bobinski in Warsaw

DEATH RATES among working men are rising throughout Eastern Europe in contrast to a falling trend in countries like West Germany and during the first two post-war decades in the Socialist bloc, according to Professor Marek Okolski, a demographer at Warsaw University.

He told a conference on the environment at the weekend that since the mid-sixties heart disease, cancer and accidents had been taking an increasing toll of males in the productive age groups—first in the Soviet Union, then in Hungary, Poland and other East bloc countries.

He linked this with the growth of environmental pollution from heavy industry developed after the war and the stress of everyday life under socialism.

The trends could be reversed only through major changes in the structure of industrial production as well as the way in which economies were managed, he said.

The conference, organised in Warsaw by the Polish Sociological Society and the Polish Ecological Club, comes as parliamentary deputies are challenging the optimistic tenor of a government report on the environment to be debated in Parliament next week.

Both they and speakers at the conference have pointed to emissions of sulphur dioxide and the consequent threat to Poland's forests, as well as increasing water pollution, as serious hazards which the Government was doing too little about.

Professor Wlodzimierz Bojarski, a *senior energy* expert, said that the solution to the country's ecological problems, which were among the most serious in Europe, lay in breaking free of Poland's raw materials-dominated industrial structure.

"Any country which places its hopes in coal production is condemning itself to lasting poverty," he said, and blamed the strongly entrenched industrial lobbies for this state of affairs.

# Saudi oil minister due in Moscow for price talks

BY OUR MOSCOW CORRESPONDENT

THE SAUDI Oil Minister, Mr Hisham Nazer, was scheduled to arrive in Moscow yesterday to discuss Soviet action to assist Opec in raising the price of oil.

The Soviet Union, which last year produced 11.9m barrels a day of crude, is the world's largest oil producer and its decision on exports is important for raising the oil price.

Mr Boris Aristov, the Soviet Foreign Trade Minister who is responsible for Soviet oil exports, is expected to see Mr Nazer. The Soviet Union last year cut its crude exports by 100,000 b/d for two months in an act of solidarity with Opec.

The oil price is critical to Soviet foreign trade in Western *and Eastern Europe in both of* which Moscow mainly exports energy and raw materials and imports machinery and equipment. During the first six months of 1986 it exported an estimated 1.6m b/d to the West.

The drop in the average price of Urals crude from $27.95 a barrel in the first quarter of 1985 to $11.95 in the second quarter of 1986 has had a very serious impact on the Soviet foreign trade position. Total foreign trade was down to 92 per cent last year but the drop was almost entirely the result of a decline in raw material exports to Western countries.

Despite Soviet efforts to reorganise trade so that manufactured exports play a larger role, the country remains heavily dependent on oil. It is likely, therefore, to try to do what it can to help Mr Nazer *establish a higher oil price*. Last year, one Soviet oil specialist said he believed the price might reach $19 but did not expect it to go higher.

# North-south divide fails to narrow in Italy

BY OUR ROME CORRESPONDENT

SOUTHERN ITALY'S stubborn inability to catch up with the north has been underlined by new statistics revealing the apparently unchanging severity *of lower incomes, and higher* birth rates and unemployment.

They confirm that the more than £40bn spent on development projects in the south over the past 35 years is still failing to integrate the country economically and socially. Some areas are bucking the trend—Puglia and the Abruzzo for example—but the south as a *whole is* at best only responding weakly to treatment.

The Italian statistical yearbook 1986 published by Istat, the government statistical office, reveals average monthly family expenditure in the north is, at L1.805m (£904,09 ), 30 per cent higher than in the south. Expressed on a per capita basis, *the gap becomes 50 per cent be*cause of the larger families in the south.

But it seems that the richer have been getting richer all over Italy. Whereas in 1983, the wealthiest 10 per cent of families accounted for 20.95 per cent of all incomes, by 1985 they were taking 23.9 per cent.

Behind the average 14.7 per cent unemployment rate in the south in 1985 lay deep pockets of joblessness in Sardinia (21.6 per cent) and Calabria (17.5 per cent).

# Kremlin 'wants arms deal'

By Robert Mauthner, Diplomatic Correspondent

THE Soviet Union seems to be genuine in its desire to reach an arms control agreement while President Ronald Reagan is still at the helm and does not appear to be playing for time until a new US leader is elected, according to British officials.

That conclusion was reached by Mr Timothy Renton, Minister of State at the Foreign Office, after what was considered by officials to have been a very fruitful visit to Moscow last week.

The fact that Mr Renton had an exceptionally good reception *in Moscow—unusually for a* junior minister he was received for as long as two-and-a-half hours by Mr Eduard Shevardnadze, the Soviet Foreign Minister—is considered significant in London.

Though constantly wary of traditional Soviet attempts to drive wedges between the US and its European allies, Mr Renton gained the impression that the Soviet officials he talked to were more positive in their attitude towards arms control than usual.

A predictable, if vain attempt was made to enlist Britain's support for the Soviet position formulated after the failure of the Reykjavik summit between Mr Reagan and Mr Mikhail Gorbachev. In particular, Mr Shevardnadze and Mr Anatoly Dobrynin, the former Soviet ambassador to Washington and now one of Moscow's leading foreign affairs officials, underlined the Soviet demand that the US should abandon its plans for the SDI space-based defensive system.

"We're not party to the basic (anti-ballistic missile) treaty and it is not for us to arbitrate between the Russians and the Americans," Mr Renton said in an interview yesterday. "But I did get the impression that the Russians are very anxious to arrive at what one of them referred to as a meaningful compromise, so that they can move ahead usefully in the Geneva talks and arrive at some agreement."

Part of the reason for the special Soviet effort towards Mr Renton is undoubtedly the fact that his visit precedes by only two months an official visit to be paid to the Soviet Union at the end of March by Mrs Margaret Thatcher, the British Prime Minister.

Mrs Thatcher is widely perceived as having some influence on the US and Nato positions on nuclear arms control.

# Major pay deal agreed in Italy

BY OUR ROME CORRESPONDENT

ITALY'S MOST important pay negotiations covering more than 1m metalworkers in private industry have departed from tradition and reached agree*ment after very few strikes and* without government intervention. Union spokesmen said the three-year deal will yield real pay rises of around 2 per cent above anticipated average annual inflation of 4 per cent over the period.

The employers dug in against union demands and conceded only a 16-hour cut in the working year and only from the beginning of 1989 for engineers and from 1990 for steelworkers. They also granted a single payment of L190,000 (£95) to compensate for the absence of any national pay rise since the last agreement expired at the end of 1985.

Unions claimed yesterday that the *settlement* was confirmation of a renewed vitality which owed much to closer consultation with the rank and file. Employers said it promised stable industrial relations at plant level while putting an undesirable burden on employers' costs

On average these amount to average monthly rises over the monthly rises over the life of the deal of L110,000. The employers said yesterday that labour costs would rise by 3.4 per cent, 2 per cent and 2.7 per cent over the three years, to which would be added cost of living rises and seniority bonuses. Since industrial productivity has been stationary since *mid-1985, this could lead* to a real increase in unit labour costs

The agreement should also lead to the introduction of new grades for white-collar and supervisory workers who are a growing force in Italian industry. It also provides for the first ever joint management-union consultation on the impact of new technology and the creation of a jointly administered data bank for monitoring industrial developments.

**Hugh Carnegy** in Dublin examines the success of the country's Industrial Development Authority

# Why foreign investors find grass greener in Ireland

IRELAND's Industrial Development Authority surprised even itself with the level of its success last year, at a time when conventional wisdom dictates that growing competition for a diminished pool of internationally mobile industry has made attracting foreign investment more difficult than ever

Recording one of its best performances of the decade, the IDA negotiated about 100 new foreign investment projects worth several hundred million dollars during 1986. Crucially for Ireland's hamstrung economy, these will produce nearly 16,000 new jobs.

Despite greater competition and the debt-ridden, low growth picture in the domestic economy, the IDA has sustained its reputation as a skilled seller of Ireland to foreign business.

There are now some 890 foreign companies operating in Ireland, almost half from the US, employing about 80,000 out of the total manufacturing workforce of 200,000.

These totals stood still over 1986 because of a number of closures but are set to move up again as newly negotiated projects get under way. How has the IDA continued to win foreign investment? One factor immediately stands out. Corporation tax for manufacturing companies in Ireland is just 10 per cent. This concession extends to computer services in which there is heavy foreign investment. Depreciation can also be written off against tax, so many companies, the IDA admits, pay no tax at all.

"That is a huge competitive advantage. We sell the tax thing very hard," says Mr Kieran McGowan, IDA executive director. Ireland's main political parties are committed to maintaining the 10 per cent rate at least to the end of the century—although there is concern that it may be vulnerable under European Community moves to harmonise tax rates.

There are no restrictions in Ireland on foreign companies repatriating their profits. From the point of view of US and Fa Eastern companies, Ireland also has the advantage of EEC membership and the English language.

Add in a technically skilled and relatively cheap workforce, generous grants aiding schemes to back capital investment, building, rents and training grants of up to 100 per cent and it is clear the Irish have an impressive package to offer. The lack of a significant home market deters some businesses, but access to EEC markets tends to overcome this.

Having a juicy incentive package is no longer enough on its own, however, and the IDA scores through sophisticated marketing techniques honed over the years. "You have to *have all the pieces of a market*ing operation that you would expect a professional agency to have," says Mr McGowan.

The IDA has 19 offices in 11 countries, concentrated in the US, Europe and, increasingly, the Far Eeast. To staff these, executives with experience in manufacturing industry are sent on five-year contracts. Each has specific performance targets laid down, "and they have to answer why any project is 'lost' to another country."

A key part of the operation is to persuade foreign business executives to visit Ireland, both those who have specific projects in mind and others who are brought over, for example, to hold their board meetings in the country. "When we get them here we work on them — in a gentle way," said Mr McGowan. This can include anything from briefings on the incentive packages available to days on the golf course.

At the heart of the IDA's system is its research into industries worldwide on a sectoral basis and into individual companies which might one day be interested in coming to Ireland. Some of this research is bought in, but much is done by IDA staff and committed to the organisation's computerised data bases.

Much effort is put into get*ting to a potential investor first* —before other suitors from elsewhere — and once in the door, putting on a credible performance. More and more these days, this means approaching companies before their own management has even thought seriously on an investment in Europe.

A good example was one of the IDA's most prized recent captures—an I£60m (£57m) 800-job investment by Saehan Media Corporation of South Korea which is to make video cassettes in Sligo, north-west Ireland, in the biggest European investment by a Korean company.

First contact was at the IDA's initiative two and a half years ago. At the time, Saehan had not yet seriously considered a European operation, but the IDA had singled it out as a company that would need one in the near future. The Irish proved right and managed to win the project in the face of heavy competition from France.

**Corporation tax for manufacturing companies is just 10 per cent. This concession extends to computer services in which there is heavy foreign investment. Depreciation can also be written off against tax, so many companies pay no tax at all.**

Language was an important factor, but the IDA believes it won the day through its personal contacts built up with the company, including its willingness to assign staff full-time to Saehan for a year while it set up in Sligo.

The IDA now plans to use the Saehan breakthrough as a platform to attract more Korean investment. Similarly, after recently winning the investment of Yamanouchi, the first Japanese pharmaceutical company to set up in Europe, the IDA plans to attract 35 Japanese companies to Ireland over the next four years.

Another recent example illustrates the reasons why foreign companies have chosen Ireland: the US computer software group Lotus came to Dublin in 1984 to start a disc duplicating plant. This is expanding to include development of software translation for Europe and eventually research and development.

The tax regime played an important part in the decision, according to Mr Irfan Salim, Lotus International vice president. But other factors such as the computer skills available here, easy access to London's Heathrow Airport and common language with the US were also important. "In the end, you have to make your decison on other judgemental factors (than tax). It can become quite subjective."

The Irish have recognised that subjective element and work on it as hard as they can.

In the battle to sustain the flow of foreign investment, the IDA has had to confront other problems aside from extra competition. It has also had to adjust the type of business it seeks to attract.

Attention in the past few years has focussed on building high-technology industries such as electronics and pharmaceuticals with the emphasis on companies which offer full manufacturing operations and, ideally, research and development to entrench them more firmly in Ireland.

Previous experience had shown that straight assembly-only operations, which imported the vast majority of inputs and required less skilled labour, put less into the local economy and were vulnerable to close-down in the longer term as markets changed and parent companies shut foreign branches.

The other side of the successful new investment figures is the fact that about 5 per cent of overseas companies in Ireland close every year, and they tend to be older, labour intensive companies. Over 1986, the numbers employed by foreign concerns actually declined, before new projects lifted the figure again, despite a rise in the number of companies.

Despite the pressure to create as many jobs as possible, the IDA has been forced to favour often more expensive, less labour-intensive projects because of their better long-term prospects.

Recently it funded the reorganisation of the Dundalk plant of Ecco, a subsidiary of GE Corp of the US, which actually involved redundancies but which shifted production from assembly to product development.

In 1985, the authority decided to back an expansion project by Krupps, the West German electrical appliances company, involving 60 new jobs making motors, instead of an alternative proposal by the company for expanding the existing simple assembly operation which would have brought 250 new jobs.

Such decisions have fuelled criticism quite *often* heard in Ireland that foreign companies get a better deal out of the IDA, which spends about I£200m a year, than Ireland gets out of them. IDA figures show that the average cost per job created with IDA assistance, both in foreign and domestic companies, has risen to about I£18,000.

The IDA's answer is that this is paid back in terms of contributions to the economy as a whole in just over a year and in contributions to the exchequer in just over three years. The overall payback by foreign companies is calculated by the IDA to be 25 times the payout in grants.

# Swedish output rises by 0.5%

By Kevin Done in Stockholm

SWEDISH industrial production rose by only 0.5 per cent in the first 11 months of last year, according to the central statistical office, although activity picked up in November.

Production in November was 1.5 per cent higher than in October and was 2.9 per cent higher than in November 1985, establishing a new peak, according to preliminary estimates. The figure in the three months from September to November was 2.3 per cent higher than in the preceding three months.

New orders to industry in the September-November period were 3 per cent higher from the domestic market and 4 per cent higher from export markets than in the preceding three months and were 5 per cent higher than the corresponding period a year earlier from both domestic and export markets.

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# Nigeria misses $30m interest payment on uninsured trade debts

BY PETER MONTAGNON, WORLD TRADE EDITOR

NIGERIA has missed an interest payment totalling over $30m (£20m) which fell due more than two weeks ago on uninsured trade credits worth $1.5bn.

"If it remains unmet, the missed payment, for which the Lagos Government has given no explanation, could jeopardise the intricate debt rescue package negotiated for Nigeria last year by the International Monetary Fund, World Bank and leading commercial banks.

Though the debt affected lies outside the immediate scope of the $3.8bn commercial bank rescheduling package now in market syndication, one condition of this package is that separate arangements to reschedule uninsured trade credits should be in place by the end of May. This may be difficult with Nigeria falling behind on interest, creditors say.

Last autumn Nigeria failed to make a principal payment on its uninsured credits, but indicated that it would continue to meet interest payments, the latest of which fell due on January 5. Creditors were reluctantly obliged to resign themselves to the default in the expectation that the debt would eventually be rescheduled and that interest payments would continue to flow.

The debt affected is owed by Nigeria to a wide range of trade suppliers including leading corporations in Japan, India, Europe and the US as well as Britain, but most are reluctant to reveal their identity publicly for fear of retaliation by the authorities in Lagos. This has weakened their bargaining power.

However, in the light of the missed interest payment the trustee for the debt, Law Debenture Trust of the UK, is likely to come under pressure to call a meeting of holders of the $1.5bn in promissory notes held by trade creditors.

These notes were issued following an offer made in 1984 by Nigeria to refinance arrears on its uninsured trade debt, but their value represents only a small proportion of trade creditors' claims which amount to more than $9bn in all.

# Israel making 'progress' towards links with Jordan

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL HAS reported "progress" towards establishing relations with Jordan, with which it is still technically at war, despite Prime Minister Yitzhak Shamir's refusal to withdraw from the occupied territories.

Shamir: unusually positive

The Israeli leader yesterday flatly denied a recent report that he had modified his long-standing opposition to any pullback from what his Likud Party considers to be part of the historic land of Israel.

In an interview with the Melbourne Age, Mr Shamir was unusually positive about recent developments in Israel with its eastern neighbour.

"We know that King Hussein is interested in having peace with Israel . . . we have many interests in common," he said. "Although we don't have a peace treaty, you can see an improvement."

The Prime Minister confirmed last month's report in the Financial Times that, with American assistance, regular contacts have recently been maintained with Jordan over a dispute involving the waters of the Yarmuk river. The Yarmuk divides Jordan and Syria before running into the Jordan River in Israeli-held herritory.

Co-operation between the two countries was said to cover a gamut of relatively uncontroversial common issues, such as problems relating to the Dead Sea and the ecology of the Gulf of Aqaba, where the twin Israeli and Jordanian ports of Eilat and Aqaba rub shoulders across a small bay.

But the central issue, the Israeli Prime Minister made clear, was the current drive to diminish the influence in the occupied territories of the Palestine Liberation Organisation, described as a common danger to both Israel and Jordan.

Asked what any future peace negotiations with Jordan would deal with, if not the return of the occupied territories, Mr Shamir replied cryptically that they would aim at achieving a "stable status" for the West Bank and Gaza Strip regions.

# Seoul Government suffers setback over student death

BY MAGGIE FORD IN SEOUL

THE SOUTH Korean Government moved swiftly yesterday to try to defuse a growing political row over the death last week of a 21-year-old student held in police custody.

A special police task force set up to investigate the incident reported that the student had died of suffocation while his head was being held under water during interrogation. Two police officers have been charged with taking part in "cruel acts leading to death" and the head of their unit has been dismissed.

The student had been arrested for his alleged involvement in various student demonstrations over the past two years. His death, followed by a speedy autopsy and cremation of the body, sparked widespread protests from opposition politicians and severely embarrassed the ruling Democratic Justice Party (DJP).

The opposition New Korea Democratic Party charged that the student had been subjected to torture and accused the police of mishandling the matter by allowing the body to be cremated before a second autopsy could be performed.

The Government's admission of police brutality has come just as the ruling DJP was hoping to seize the initiative from a badly divided opposition. Although the ruling party has lived up to its promise of providing a quick investigation into the student's death and punishment of any wrongdoing, its hopes of improving its democratic image have received a setback.

# Australian wine pack row

BY CHRIS SHERWELL IN SYDNEY

SWELLING POPULAR disquiet over the sale of a controversial wine and fruit juice mix is posing a worrying problem for the Australian wine industry.

The controversy focuses on a 250ml single-serve pack of so-called "wine cooler," which is marketed as a Tetrapak, complete with a straw, by Lindemans Wines, a subsidiary of Philip Morris of the US.

Because the pack looks similar to ordinary fruit juices sold to children in supermarkets, state governments in Victoria, New South Wales, South Australia and Queensland have initiated action to halt sales.

Accurate figures on wine cooler sales are not available, but according to the Adelaide-based Wine and Brandy Producers Association, which represents wine growers, most of the increase in bulk white wine sales last year was due to coolers.

The association's figures show bulk sales increasing from 4.4m litres in 1984-85 to 16m litres in 1985-86. Of this increase, 11.4m litres went into the new cooler market, the association says.



# Turks deny US jets destined for Gulf war

TURKEY yesterday denied a West German press report that the US had sent extra warplanes here for possible intervention in the Iran-Iraq war, Reuter reports from Ankara.

A senior government official said some F-111 bombers were currently in Turkey for a routine bombing exercise at a range near Konya, central Anatolia.

Referring to a report in the West Germany weekly Der Spiegel that three squadrons of aircraft were here to prepare for possible intervention in the Gulf, he said: "It's not true."

The official said the F-111s were flying from the giant Incirlik base in southern Turkey where two squadrons of the 401st Tactical Fighter Wing are permanently based.

These changed last year to F-16 Fighting Falcons from F-4 Phantoms, meaning an increase to 48 from 36 aircraft since a squadron of Falcons comprises 24.

# Arson forces Dutch group to quit S Africa

By Jim Jones in Johannesburg

THE DUTCH cash and carry company, Steenkolen Handels Vereniging (SHV), is to divest from South Africa in the wake of a series of arson attacks which razed three of the group's stores in Holland. Last week insurance companies refused to provide further insurance cover for the group as losses at the three stores amounted to about £400m.

SHV warned the Dutch Government last week that it would pull out of South Africa unless the Government provided insurance or protection from attacks on stores by Revolutionary Anti-Racism Action (RARA), the Dutch anti-apartheid group. Mr Hans Van Den Broek, the Dutch Foreign Minister, was reported in South Africa as deploring a divestment decision because of terrorist action.

Makro, the group's South African arm, has an annual turnover of about Rands 506m (£75m) and is two-thirds owned by a Swiss holding company which, in turn is 60 per cent-owned by SHV and 40 per cent by the Metro Wholesale group of West Germany. The remaining one third of Makro's share capital is owned by Sabien, the South African industrial, tourism and shipping company.

In Johannesburg yesterday Mr Roger McKee, Makro's finance director, said that divestment arrangements were still uncertain. He did not know whether the Swiss holding company would sell its direct interest in Makro or whether SHV would simply dispose of its interests in the Swiss holding company.

# Afghan talks in Islamabad

SENIOR US and Soviet envoys met separately yesterday with Pakistani officials to discuss the Afghan conflict, but no details of the talks were revealed, AP reports from Islamabad.

Mr Michael Armacost, US Undersecretary of State, discussed with Mr Sahabzada Yaqub Khan, Pakistan's Foreign Minister, the Soviet-backed Afghan Government's unilateral ceasefire.

Mr Anatoly Kovalev, Soviet First Deputy Foreign Minister, met with Pakistani Foreign Office representatives.

US embassy officials have said there were no plans for Mr Armacost and Mr Kovalev to meet.

Moslem guerrillas, fighting the Afghan Communist Government and Soviet forces, have rejected the ceasefire the Government put into effect on Thursday. The guerrillas have said they will fight until the Government is toppled and Soviet troops forced out of Afghanistan.

## Punjab politician killed

Gunmen, believed to be Sikh terrorists, assassinated a leading Hindu politician and his bodyguard yesterday when their car pulled into a petrol station, Punjab police reported, AP writes from Chandigarh.

Police said Joginder Pal Pandey, about 50, the Punjab general secretary of Prime Minister Rajiv Gandhi's governing Congress Party, was killed in Ludhiana city, about 60 miles north-west of Chandigarh. The gunmen opened fire with automatic weapons from a white foreign-model car which had been following Pandey.

## Sri Lanka bus blasted

A powerful bomb killed six people and seriously wounded 51 when it exploded on a crowded bus in central Sri Lanka last night, police said yesterday, Reuter reports from Colombo. They said the bomb tore off the vehicle's roof and set it ablaze. The blast was heard one and a half miles away.

**Anthony Robinson** reports on the anniversary of a coup which deposed Chief Jonathan

# Lesotho more at ease with giant neighbour

FOR LESOTHO and the other small independent states of southern Africa living with South Africa, the regional super power, is rather like sailing on a raft with an elephant. To pretend otherwise can be very unsettling, as Chief Leabua Jonathan, who ruled Lesotho since the former British protectorate of Basutoland gained independence in 1965, found to his cost a year ago today.

He was deposed in a military coup headed by General Justin Lekhanya, leader of a military council which suspended the constitution, banned all political activity and moved fast to re-establish good relations with Pretoria.

A year later there is still no timetable for restoration of civilian rule, although a start has been made to introduce village and district councils to encourage grass roots participation in local affairs with local chiefs playing a big role. The anniversary of the coup will be marked today by a military parade and the unveiling of a new national flag. It replaces the original independence flag tarnished, in the council's eyes, by the colours and insignia of Chief Jonathan's former ruling Basotho National Party (BNP). King Moshoeshoe 2, the Oxford-educated constitutional monarch, eclipsed by Chief Jonathan, now plays a more active role as the symbol of national unity.

Meanwhile, the red flag still flies over the Soviet, Chinese and other east bloc embassies whose presence so irritated Pretoria before the coup. But the North Koreans, who armed and trained the once feared and now disbanded BNP youth brigade, have de-camped. The Cubans, whose Foreign Minister, Mr Raul Malmierca, was embarrassingly caught in Maseru at the time of the coup hoping to arrange the establishment of an embassy, never made it to first post.

This mountainous kingdom, of 1.5m people, which is surrounded by South Africa but has never been ruled by it, is a pleasant enough place to avoid the rigours of a Moscow winter. But it no longer serves as a serious outpost of Communist diplomacy. The Soviet ambassador spends much of his time explaining to western diplomats, who mainly administer the various foreign aid programmes, what the Soviet bloc embassies do not do. They do not, for example, aid and abet the African National Congress. This is not surprising because one of the first acts of the new government was to airlift an estimated 200 ANC activists out of the country to Lusaka. It still offers refuge to "refugees" from South Africa who are processed by the UN High Commission for Refugees but is much stricter about not allowing them to carry on any political activity.


Pretoria for its part seems happy with the arrangement and appears to be sensitive to Basotho demands that South Africa treats it with respect and not just an exalted form of homeland "bantustan." For Pretoria events in Lesotho are part of a broader picture. Over the last three years it has "persuaded" all its other neighbours like Swaziland, Botswana, Zimbabwe and Mozambique to expell or neutralise the ANC presence.

Civilian ministers on Lesotho's military council now accuse Chief Jonathan and the more radical members of his former government of having endangered Lesotho's independence and fragile economic well-being by a "reckless" disregard of Lesotho's economic and other links with South Africa. They were brutally underlined when South Africa precipitated last year's coup by simply sealing off the road and rail links with the republic. It could have achieved the same result by simply cutting off the electricity, which is 100 per cent supplied by South Africa or repatriating the 130,000 Basotho miners and other emigrant workers. Their repatriated earnings of around R600m annually provide the lifeblood of what is essentially a remittance economy.

It did not have to do either because the blockade was enough to mobilise the more conservative military men who were in any case worried about indications that the Jonathan government's armed youth wing and radical army officers were planning a purge. The coup was preceded by a shoot-out at the army barracks in Maseru in which up to 20 soldiers are understood to have been killed. Three other senior officers died in detention after the coup in circumstances which are still subject to an enquiry.

Lesotho troops celebrating last year's military coup

A similar fate recently befell two of the disgraced radical members of the former government, Mr Desmond Sixishe, the former minister of information, and Mr Vincent Makhele, the former foreign minister. They and their wives were taken from a private home after the funeral of the former Lesotho Prime Minister two months ago and shot on a lonely mountain pass after making political speeches at the funeral which angered both military and civilian officials present. The abductions and murders, carried out by men in uniform according to eye-witnesses, sent shudders through the country which up to then appeared to be set on the path of "national reconciliation" promised by General Lekhanya.

Meanwhile, the restoration of good relations with Pretoria and close co-operation in security and other matters, has removed the last obstacles to the long-mooted highlands water scheme. Thousands of jobs will be created by the construction of access roads, dams, tunnels and a hydro-power station. The $2bn project will end Lesotho's dependence on South Africa for power and supply the farms and industries of the southern Transvaal with a maximum of 70 cubic metres per second of water when the third and final stage is completed in 2020.

But for most Basotho living in the mountain villages of stone and mud huts with thatched roofs and cattle kraals accessible only by Basotho pony tracks what counts is their jobs on South African mines.

The link is as old as the mines themselves. When nearly 40 Basotho miners lost their lives in the Kinross mine disaster last year the whole country stopped for a day of mourning.

# AMERICAN NEWS

## White House 'flouted' covert operation rules

BY STEWART FLEMING, US EDITOR IN WASHINGTON

THE White House ignored its own guidelines for conducting covert operations, ignored legal reporting requirements to Congress and initially gave misleading accounts of important aspects of its arms dealing with Iran, according to a draft report on the scandal prepared by the Senate Intelligence Committee.

The report, a copy of which was published yesterday by the New York Times, is highly critical of the Reagan Administration's handling of a covert operation which has seriously eroded President Reagan's credibility in the eyes of the American people and severely weakened his Administration.

Earlier this month the White House pressed for the release of the report, leaked to the Times, for among its conclusions is the statement that the committee, in its closed-door investigation of the scandal last year, found "no specific evidence" that the President knew that profits from the sale of arms to Iran were diverted to the Contra rebels seeking to overthrow the Sandnista Government in Nicaragua.

Several witnesses who appeared before the committee, including Vice Admiral John Poindexter and Lt Col Oliver North, identified as key figures in the operation, refused to answer questions before the committee. The report says Mr Reagan may have been briefed orally on a memorandum prepared by Lt Col North which suggested diverting $12m to the rebels.

The report says the committee, which is handing its evidence to the special Senate committee set up to investigate the Iran deals, has been unable to determine all the flow of all the money in the programme.

Publication of the report, with the picture it presents of an Administration ignoring warnings that the Iran programme was based on flawed intelligence and suspect middlemen, and its guarded comments on what Mr Reagan knew and criticism of his initial statements on the affair, will embarrass Mr Reagan further as he prepares the State of the Union address for Congress next Tuesday.

## Mexico unveils its first anti-pollution measures

BY DAVID GARDNER IN MEXICO CITY

A RAY of light has shone, through the dense smog of Mexico City with the Government's announcement of an ambitious anti-pollution programme, the country's first serious attempt to conserve its increasingly ravaged ecology.

Measures in the plan range from the obligatory installation of catalytic converters on new cars and toxic emission controls on Mexico City's 3m old ones, to promises gradually to bring under control the hundreds of tonnes of toxic particles and effluence released daily by factories in the metropolis, which, with 18m people, houses almost half the nation's industry

State protection is to be provided for endangered species like the glorious Monarch butterflies now carpeting the woods of Michoacan on the Pacific coast; the royal eagle, Mexico's national symbol; the rare jaguars still stalking the shrinking tropical rain forest of the south-east; and, it is hoped, the choked denizens of Mexico City.

The Government has picked as good a month as any to try to convince city residents it is seriously attempting to limit the extent to which they and their children will continue to be poisoned. The cold of January has provoked a phenomenon known as a "thermal inversion."

The cold currents seal the toxic gases into the enclosed highland valleys which hold Mexico City, turning it into a giant gas chamber, until enough heat is generated to force the gases upwards.

Ecologists have greeted the programme with reserved optimism.

## USX deal paves way for end of long strike

By James Buchan in New York

THE longest steel dispute in US history is approaching settlement after an overwhelming vote by union officials at the weekend to accept a stiff new four-year contract at USX, the country's largest steelmaker.

Officials of the United Steelworkers' Union, expect the 33,000 rank-and-file union members to accept the agreement, which involves a cut in hourly wages in return for restrictions in the use of non-union labour and a commitment to keep two steel mills open.

The final agreement to end the bitter six-month strike, which has cost USX about $100m a month, was shaped by Mr Sylvester Garrett, a lawyer with more than 30 years' experience of mediation in the industry.

The agreement will increase the competitive pressure in the troubled industry, where two big operators, LTV and Wheeling-Pittsburgh, have already cut costs through the protection of bankruptcy proceedings.

USX, which wrested savings of about $2.45 an hour in labour costs in the first year of the agreement, is expected to move aggressively to rebuild its 17 per cent market share in negotiations this month for steel deliveries to Detroit car manufacturers. It can also now proceed with a large-scale restructuring.

## Ecuador leader expected to stay

By Sarita Kendall in Quito

PRESIDENT Leon Fobres Cordero of Ecuador is expected to ride out the crisis caused by his kidnapping last Friday despite calls for his resignation.

The military high command was reported to be meeting yesterday to discuss it.

Although Congress will resume session today, and the threat of a political trial remains, most party leaders are stressing the importance of maintaining political stability rather than causing further upheavals.

### Anatole Kaletsky on the pay phenomenon that enables Reagan to ride the dollar's fall

## Unkind cut for wage slaves pursuing a dream

HOW CAN the Reagan Administration remain so utterly insouciant about the falling dollar? Why do foreign investors continue to put their money into a currency whose value has been melting away at the rate of 1.5 per cent a month since early 1985? And why do the pundits who have warned for years about the dollar's imminent "crash landing" remain so shy of claiming victory for their ideas?

All of these mysteries have a common explanation—the dollar's fall has so far failed to trigger the generally expected wage-price spiral which should by now have sent the US bond market into a tailspin, caused panic in the business community and ruined the Reagan Administration's anti-inflationary reputation.

That none of this has happened is largely due to a little understood phenomenon: A funny thing has happened to American workers on their way to the late 1980s. They have forgotten about the ever-rising living standards and wages which were supposed to be the very stuff of the American dream.

The average US worker's weekly earnings in 1986 were $303 (£202), which is 8.5 per cent lower in real terms than the $120 recorded in 1970. In fact, American wage and salary earners have enjoyed no real improvement in living standards for nearly 20 years now—a misfortune which can be found in almost no other country outside Africa and Latin America. Most of the fall in US earnings occurred from 1979 to 1982. During which period rapid inflation overtook the rate of pay increases each year. But, in the last few years, an even more surprising story has been unfolding.

While inflation has been slowing, so has the escalation of pay settlements. As a result, there are now millions of US workers for whom an annual pay cut — in actual money wages, not just in "real terms" —is a fact of life.

Indeed, the number of US workers who suffered pay cuts and freezes increased significantly last year, according to the best estimates available. The Bureau of Labor Statistics calculates that 8 per cent of the workers whose pay was settled in major collective agreements during the first nine months of 1986 suffered pay cuts. A further 23 per cent had no change in their wages at all. These figures compare with 5 per cent and 18 per cent respectively during 1985.

In the manufacturing sector, however, the vice has been screwed down much tighter: 24 per cent of workers had to accept pay cuts last year against a mere 1 per cent in 1985. A further 42 per cent managed only to hold their wages constant, leaving a mere third of the manufacturing workers to enjoy any pay increase at all.

What is responsible for this relentless belt-tightening, considering that corporate profits are at their highest level for more than a decade, that unemployment is stable and that the falling dollar is relieving the competitive pressure from abroad?

President Ronald Reagan

The manufacturing industries exposed to foreign competition are only one of three types of industries where pay concessions have been most prevalent, according to Professor Dan Mitchell of the University of California. The other two are businesses which have been recently deregulated and those where non-union competitors have recently grown rapidly to challenge the positions of unionised companies.

The first group includes the many traditional industries like steel, copper and timber where the majority of workers have suffered pay cuts of 20 per cent or more in the past year. Although the worst may now be over for the automobile and engineering industries, parts of these, too, remain exposed, as evidenced by pay cuts of 10 to 20 per cent at Carrier Air Conditioning and Timken Ball Bearings, and freezes on basic pay at Caterpillar Tractor and Bendix last year.

The second group includes all the domestic airlines, which have either cut wages outright or introduced two-tier pay scales under which new recruits earn far less than established employees. It also covers the trucking companies and Greyhound Bus Lines, which has recently been sold to a non-union operator after the unions resisted a management demand for pay cuts of at least 15 per cent.

The third group is the most varied and the one which has given free market economists most encouragement in their belief that the weakening of unions will put the US economy permanently on a path of faster non-inflationary growth. In the past year supermarket groups like Safeway and Kroger, have imposed cuts and freezes on their unionised workers, arguing that they could not compete with the expansion of non-union stores. Workers at Disneyland, too, were told their pay rates were "50 per cent above the competition."

In many cases, non-unionised competition has also been the force which has actually provoked the change in traditional trading industries and deregulated businesses. For example, Weyerhaeuser, the forest products company, persuaded 7,000 of its workers to end a six-week strike last summer and take a 20 per cent pay cut largely by pointing out that several smaller logging companies had hired non-union replacements after the industry's longstanding system of centralised collective bargaining began to break up in 1983. Many of the pay cuts in the transport industries have been influenced by the non-union competitors, like Mr Frank Lorenzo's rapidly growing Texas Air empire.

The competition between unionised and non-unionised companies is probably the best explanation for the continuing downward pressure on pay settlements in much of the US economy. It is also a reason for taking some of the more extreme claims about disinflation in the US economy with a pinch of salt.

Little is known in detail about the pay deals granted to the 80 per cent of US workers who are not covered by collective bargaining. But it may be dangerous to take too much anti-inflationary comfort from BLS statistics on major collective bargains, which cover only 8 per cent of the US private sector's employees and are heavily weighted towards precisely those industries which are under the fiercest pressure from foreign and non-union competition.

In what may be a worrying sign of the inflationary clouds on the horizon, the aggregate figures on US earnings show that non-union workers have been enjoying consistently bigger pay rises than their unionised rivals in every year since 1982. In the past two years the gap have averaged 1.7 per cent annually, with non-union employees receiving average pay rises of 3.5 per cent in the past 12 months. Pay rises of 5 per cent or more are still the norm in many of the profitable service industries, such as finance, as well as in the unionised utilities and state and local governments. It is anybody's guess how long the austerity in the unionised economy can continue to compensate for the inflationary pressures in the non-unionised sectors.

## Japanese find another way

JAPAN'S export-oriented manufacturing companies have taken many steps to reduce costs in the wake of the yen's rise, but across-the-board wage cuts are rare and likely to remain so, Ian Rodger reports from Tokyo.

Wage rates in industry are set in annual negotiations between the employers' organisations and the four leading trade unions in the spring and the results of the negotiations are respected.

In a recent survey of 400 leading companies, more than three quarters said they would not impose wage cuts.

Companies are, however, able to take many other steps, including employee transfers, lay-offs, early retirements, cuts in overtime and reductions in the twice-yearly bonuses. All of these things, and some more novel ones, have been happening.

Matsushita, the electrical giant, has for example, asked its middle and senior managers to spend a portion of their year-end bonuses — Y150,000 (£640) — on buying Matsushita (National, Panasonic, JVC) products.

Nissan Motor turns its head office cafeteria into a bar every night, and has ordered its managers to use it instead of carousing in nearby expensive Ginza bars.

But for many workers in export-orientated industries, the demands being made on them are more difficult. Hardest hit are companies in the coal, shipbuilding, steel and automotive sectors, most of which are running at a loss as a result of the high yen.

Large scale lay-offs and redundancies are now commonplace in these sectors. Ishikawajima-Harima Heavy Industries cut its 17,000 workforce by 7,000 last year through a combination of early retirement and job relocation incentives. Nippon Steel, the world's largest steel producer, last month put more than 3,000 workers on short-time working and it is contemplating cutting its 60,000 workforce by one third by 1990. Sumitomo Metal Industries has just announced a three-year programme to cut its workforce by 6,000.

While they may not cut blue collar workers' wages, companies have not hesitated to attack white collar salaries. Nissan Motor's 2,300 middle managers took a 5 per cent pay cut last April, its 48 top managers a 10 per cent cut.

Bonuses, which are an important part of Japanese workers' pay, have been cut as well. The average winter bonus among 287 major companies was up only 1.5 per cent last year, according to the Labour Ministry.

# WORLD TRADE NEWS

## Peugeot studies plan for car component venture in Brazil

BY PAUL BETTS IN PARIS

AUTOMOBILES Peugeot, the French private car company, is exploring possible joint venture opportunities to manufacture car components in Brazil with local partners.

In addition, the group is considering using its production facilities in the UK to export car kits to New Zealand.

The joint venture move reflects the French car group's concern to protect its sales in Argentina at a time when trade barriers between Argentina and Brazil are being removed. A joint venture would enable Peugeot to enter the Brazilian market as well as protect its presence in Argentina.

The Peugeot move also follows the recently-announced merger of the Brazilian and Argentine operations of Volkswagen of West Germany and Ford of the US. Peogeot's domestic rival, the French state-owned Renault car group, is also considering a similar move in Brazil to protect its market leadership in Argentina.

Renault's share of the Argentine market is about 30 per cent, while Peugeot has about 16 per cent. Peugeot mainly sells upper range models in Argentina such as the 505 and 504 which are locally assembled with French content representing about 15 per cent.

Mr Jean Boillot, president of Automobile Peugeot, confirmed that his company has been exploring during the past two months joint venture possibilities in Brazil. However, he emphasised that no negotiations were at present taking place.

The possibility of using Peugeot British production facilities to export car kits for assembly in New Zealand would enable it to take advantage of the more faourable tax treatment between the UK and New Zealand, Mr Boillot said.

The New Zealand kit exports would also help compensate for the sharp decline in Peugeot UK kit sales to Iran. In the best of years, Peugeot has sold up to 85,000 kits a year to Iran from the UK. But the level has since slumped because of the Iran Revolution.

The UK subsidiary reported a £8.3m pre-tax loss for the first half of last year because of its problems with the Iranian contract.

Mr Boillot hopes Peugeot's UK penetration will increase from 4.6 per cent last year to 5.1 per cent this year and subsequently rise to 6 per cent next.

## Ericsson probes Colombia bribery allegations

BY SARA WEBB, STOCKHOLM CORRESPONDENT

ERICSSON, the Swedish telecommunications and electronics group, has temporarily frozen its contract to supply telecommunications equipment to the Colombian PTT while it investigates allegations in the Colombian press that the company paid bribes to PTT officials to secure earlier contracts.

Last September, Ericsson signed a contract worth $8.7m (£6.2m) to supply lines and cables for existing AXE transit systems. The supplementary equipment was intended to increase the capacity of four AXE transit systems supplied earlier by Ericsson.

However, the order has been stopped temporarily while both Ericsson and the Colombian authorities carry out independent investigations into the allegations.

El Tiempo, the leading Colombian newspaper, claimed that in 1979-1980, Ericsson paid bribes worth about $1.8m altogether to 17 Colombian PTT employees to secure several contracts.

Ericsson has denied the allegations and says it is against the company's policy to pay bribes anywhere in the world. It also said it made its breakthrough in selling its AXE systems to Colombia in 1977-1978, before the bribes were alleged to have been paid.

Ericsson started its own investigation into the allegations in October and sent out a team to question staff in Colombia, but says that so far, it has not uncovered any evidence of bribes.

## Bush to fly to Ottawa for urgent trade talks

By Bernard Simon in Toronto

THE CANADIAN Government will voice deep concern at US trade policies when Vice-President George Bush of the US and Treasury Secretary James Baker pay a hastily-arranged visit to Ottawa tomorrow.

The visit, arranged at the request of Mr Brian Mulroney, Canada's Prime Minister, appears to be a gesture by the Reagan Administration to demonstrate support for the Mulroney Government's pro-US policies.

Opposition to these policies, notably the talks at present under way on a bilateral free trade agreement, has recently been fuelled by a series of trade disputes.

Mr Mulroney said he wants to ensure that the eight-month-old free trade talks, which are among the most controversial domestic political issues in Canada, are "high up" on the Administration's and Congress's agenda.

He indicated that Ottawa will also express disappointment at Washington's reluctance to commit substantial funding to curb acid rain pollution.

The Mulroney Government has made closer relations with the US a cornerstone of its foreign policy. The Prime Minister said: "Canadians quite properly expect my Government to deliver more than that of my predecessor in this area.

A series of trade disputes with the US has contributed to a steady decline in the ruling Conservative Party's popularity. Opinion polls published last week showed them lagging behind both opposition parties.

The Government has been strongly criticised for its handling of a softwood lumber dispute with the US, which culminated in the imposition of a 15 per cent tax on Canadian exports. Tensions are at present rising over US policies on the pricing of Canadian natural gas sales.

Mr Mulroney said he remains "reasonably optimistic" that the two sides will conclude a free trade pact. Talks between the two negotiating teams have been intensified in the past month in an effort to reach agreement before the "fast-track" negotiating mandate granted by Congress to the Reagan Administration expires next October.

### Three main worries are confronting negotiators, Peter Montagnon reports

## Doubts over deadline for fresh Gatt round

TALKS on the new Uruguay round of trade liberalisation measures have resumed at the General Agreement on Tariffs and Trade in Geneva this week in an effort to restart the negotiating process which broke down after a series of procedural differences in December.

Gatt has set a new deadline of the end if the month for procedural problems to be overcome so that formal negotiations on the new round can begin in earnest next month.

But as negotiators reassemble after a protracted Christmas break, it is clear that the prospects of meeting the new deadline are fragile and uncertain.

When Trade Ministers agreed on the new round in Punta del Este, Uruguay, last September, they told their negotiators to complete arrangements for the talks, including detailed negotiating plans and the composition of individual negotiating committees, by December 19.

This was the only specific deadline written into their declaration and it was not met, dashing the initial wave of euphoria which followed the Uruguay meeting.

Within the Gatt secretariat there is now some optimism that the new end-January deadline can be met. Negotiators were apparently close to agreement on December 19 and might have completed their work shortly thereafter had the Christmas holiday not intervened. Some of the negotiators themselves are not so sure, however.

On the surface, the main obstacle to completion of this preliminary phase is a relatively minor one. It concerns the role of the Group of Negotiations on Goods (GNG) which is to be established under the terms of the Uruguay declaration to carry out the programme on negotiations for the new round.

The EEC wants this group to have a forceful role in coordinating the round, but the US believes its influence should be more modest so that negotiations on individual aspects of the round can proceed with the minimum of bureaucracy and at their own pace.

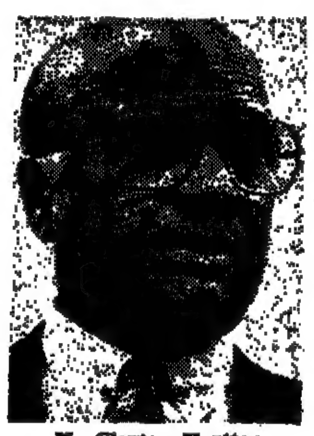
This is hardly a substantive issue. Yet, in the intricate world of multilateral trade negotiations, it masks a number of deeper fears and concerns.

In short, the world's main trading powers still seem reluctant to plunge into the formal negotiating process without being certain that they have not given too much away before they have even started.

In the background is the looming problem of agricultural reform which seems bound to be one of the most sensitive issues in the early stages of the talks.

Three main worries confront negotiators as they look towards the latest deadline:

The first is that their efforts could be scuppered by a separate failure by the US and EEC to resolve their dispute over US grain sales to Spain following its accession to the EEC.



Mr Clayton Yeutter

Mr Clayton Yeutter, US Trade Representative, has said this dispute has no bearing on the Gatt round and should not affect it.

But, with both sides now threatening retaliation if the dispute is not solved, it is hard to see how any substantive negotiations could begin in Geneva on agricultural reform.

Then there is a continuing worry that the US and the EEC may fail to find an acceptable formula for determining the timetable of the Gatt talks on agriculture.

The US wants agriculture to be put on a fast track in the Gatt talks, but the EEC, which is worried that the talks might concentrate on winding down export subsidies is keen to see the talks proceed at a slower pace.

Third, there is a fear that failure to agree on either of these points might cause some countries to unwind the consensus on other issues they came close to reaching last month.

One specific worry on this score is that the US might seek to re-open the discussions on surveillance of the standstill and roll-back of protectionism to which the contracting parties are committed following the Punta del Este meeting.

Gatt officials believe that matters should not get quite so bad, not least because neither the US nor the EEC would want to be seen publicly as standing in the way of the newround.

The new deadline should help concentrate minds, they say, and it should prove possible for the outstanding problems to be settled by the end of the month.

If they are, the initial disappointment that the December 19 deadline was not met should be quickly forgotten, but even the optimists are not prepared to predict with certainty that this will be the case.

This preliminary phase is more complicated than in previous rounds because it involves the establishment of detailed negotiating plans in which all parties have a lot at stake, as well as simple procedural matters as has been the case in the past.

Failure to meet the end-January deadline would be a damaging psychological setback. It would accentuate the fears of some Gatt participants that the US, which was the main instigator of the new round, is now having second thoughts. It could also encourage protectionist pressures within the US Congress.

Mr Michael Samuels, US Ambassador to the Gatt, categorically denies that the US has become a reluctant player. The US does want a new multilateral round, and it does want to strengthen the Gatt, he says. "If these negotiations don't produce a result, the consequences are very serious for the world trading system."

Though he does not expect any concrete results to emerge from the talks this year, the essential point is to demonstrate to the world at large that serious negotiations are proceeding.

Another seasoned negotiator puts it this way: Resolution of the problems surrounding the end-month deadline will involve a compromise that will be seen as neither a conspicuous success nor a conspicuous failure.

Success in these international negotiations, however, should be measured in very modest doses. The main point at this stage is to ensure that the show does actually stay on the road even if it is only moving forward at a snail's pace.

## Moscow offers tax break to foreign partners

BY PATRICK COCKBURN IN MOSCOW

JOINT VENTURES between foreign companies and Soviet enterprises will pay 30 per cent tax after two years of operation on a tax-exempt basis, a senior Soviet trade official said.

The Soviet Union last year decided to begin moves towards the establishment of such joint ventures, in a bid to increase Soviet manufactured exports at a time when Soviet oil export earnings were declining.

Mr Ivan Ivanov, deputy chairman of the State Committee on Foreign Economic Relations, told the weekly Moscow News that profits earned by a foreign partner would be tax free if re-invested in the Soviet Union. But hard currency profits transferred out of the country would be subject to a 20 per cent tax.

Soviet trade officials say that initially they hope to agree only 10 or 12 joint ventures, but also hope to arrange compensation deals and other forms of co-operation with Western companies.

Potential Western partners are primarily interested in establishing joint ventures manufacturing for the Soviet market as a form of import substitution rather than directly exporting abroad.

There is no sign, however, that the Soviet authorities would be prepared to see foreign companies repatriate in hard currency profits made in roubles within the USSR.

## Austrians to set up ski plant in Ukraine

By Patrick Blum in Vienna

FISCHER, the Austrian ski company, is to set up a ski manufacturing plant in Mokachervo, in South-Western Ukraine.

The company will plan the factory and provide the specialised machinery and "know-how." Under a five-year licensing agreement, the Soviets will be able to use the brand name Fischer although sales will be restricted to within the Soviet Union, Mr Christoph Schindler, general manager for Fischer's cross-country ski division, says.

The contract value is not disclosed but payment will be in cash. There is no countertrade involved, Mr Schindler says.

## Queensland to build power plant and port in Turkey

BY DAVID BARCHARD IN ANKARA

THE Prime Minister of Queensland, Sir Joh Bjelke-Petersen, yesterday signed a protocol with the Turkish Government to build a 1,400 MW coal-fired power plant and port at Gazi, near Iskenderun, on the Mediterranean.

Under the terms of the agreement the Governments of Queensland and Turkey will each hold 30 per cent of $320m (£228m) total equity in the project, while the remainder will be held by a consortium led by Seapac of Australia, and include Westinghouse Electric of the US and Chiyoda, Mitsui, and Marubeni of Japan.

The Australians have inserted a time-limit into the protocol agreement. Both governments have to report on progress within 45 days and there appears to be a six-month deadline for reaching final agreement.

Price terms and performance guarantees still have to be negotiated.

The Australians also want to see legislation passed setting up a special free trade zone at Gazi.

The Australians have persuaded the Turkish Government that the plant will be owned and operated for 26-years by the consortium, rather than for only 15 years as in other proposed "build-own-operate" plants.

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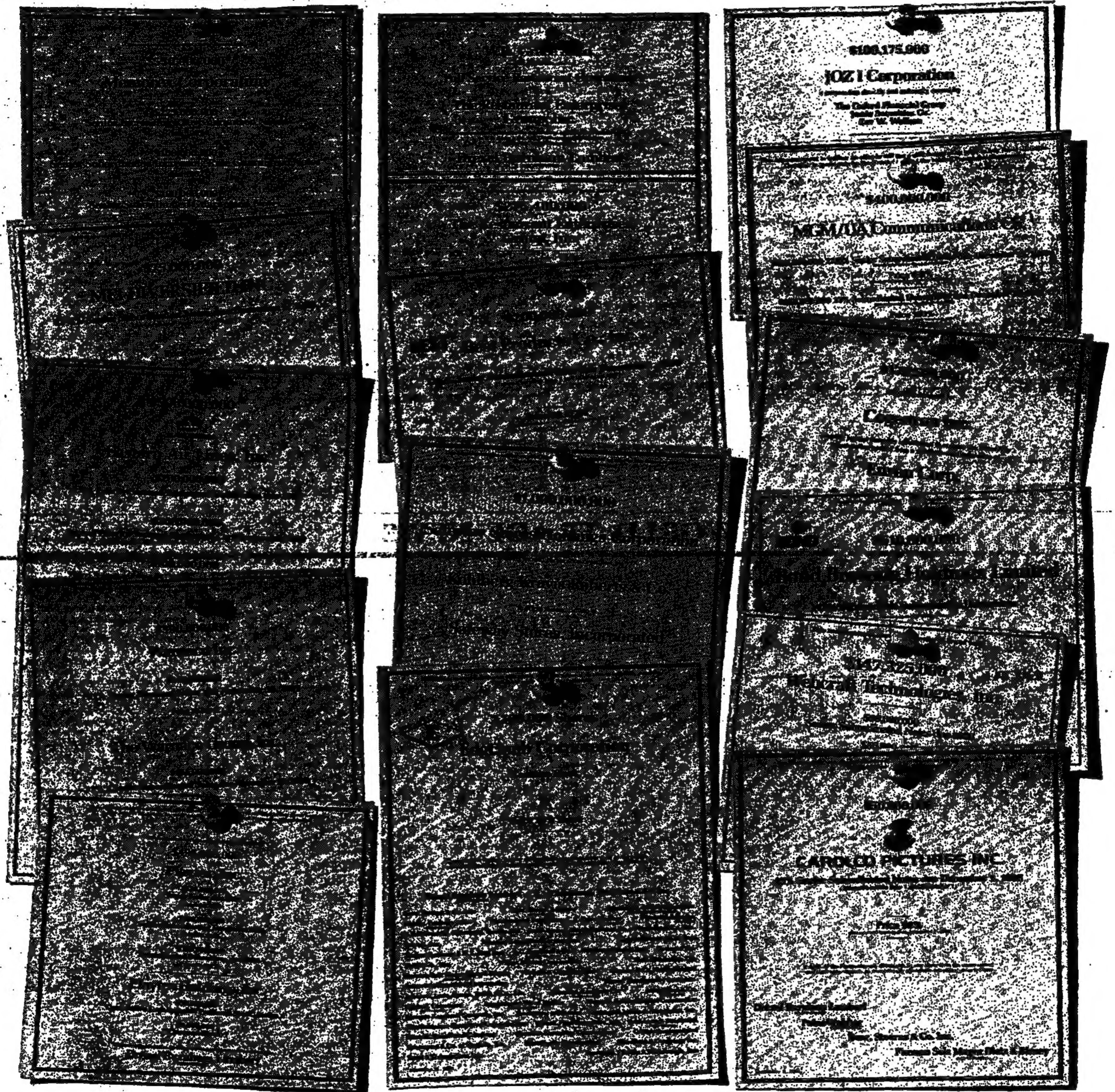

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# UK NEWS

## Revenue boosts scope for tax cuts

BY JANET BUSH

PROCEEDS from the sale of British Gas combined with early payments of corporation tax meant that the Government's finances were in surplus by more than £1bn during December, the latest in a run of encouraging figures which suggest scope for tax cuts in the budget.

Treasury officials urged a cautious interpretation of the figures released yesterday because of a number of distortions but acknowledged that the Public Sector Borrowing Requirement appears to be heading for an undershoot of the Government's target of £7.1bn.

Many independent analysts believe the 1986-87 PSBR could turn out to be as low as £5bn, giving the Chancellor of the Exchequer scope for £2bn in tax cuts in the budget without seriously jeopardising his borrowing target in fiscal year 1987-88, despite the higher public spending announced in the Autumn Statement.

Mr Ian Harwood, chief economist at Warburg Securities, said the significance of recent PSBR figures is that the Chancellor might well be able to please the electorate by cutting taxes and, at the same time, elicit a favourable response from the financial community with a credible PSBR target.

"We have another three months' PSBR figures to go but at the moment it does seem as if everything is looking good for Mr Lawson," he said.

Yesterday's provisional figures showed that there was a net repayment of £1.22bn in December compared with a borrowing requirement of £51m in the previous month.

December's figure leaves cumulative borrowing in the first nine months of the current fiscal year at only £4.5bn compared with £7.6bn at the same stage last year.

The bulk of corporation and petroleum revenue tax receipts fall in the last three months of the year and, if the Government still intends to hit its £4.75bn target for proceeds from asset sales this year, it can expect to receive about another £1.5bn by the end of March, mostly from the sale of British Airways.

Market estimates put the value of BA at around £1bn, leaving about another £500m in asset sale proceeds to find. The Government has at its disposal £750m in loans which it can call in from British Gas either in March or April but it is possible, if the PSBR is undershot, that it will opt to take these into next fiscal year.

Government revenues were boosted in December by about £1.8bn from the British Gas sale and about £750m from the early payment of some corporation tax which would normally fall in January, according to the Treasury.

There was also an unusually high build-up of bank deposits by the public sector in the month, boosting revenues by an extra £500m or so. Treasury officials said they could not pinpoint any reasons for this feature of last month's figures

Yesterday's figures once again showed up the buoyancy of Corporation Tax and Value Added Tax receipts, evidence of strong company profits and this year's surge in consumer spending.

In the first nine months of the fiscal year, Customs and Excise receipts were £3bn higher than they were a year ago and Inland Revenue receipts were up £2.4bn.

Economy improving, Page 7
Investment plea, Page 8

## Telephones will face week of disruption

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH TELECOM faces a week of industrial disruption this week, after about 40,000 engineers yesterday started 24-hour stoppages in sympathy with colleagues who had been suspended for refusing to work overtime during the weekend.

The action mainly affected BT areas in East Anglia, Essex, the Midlands, the Thames Valley and Kent. Apart from continuing action by 4,500 engineers in west London, who walked out on Friday, the capital was largely unaffected. The union reached an agreement with BT to provide emergency cover for Heathrow Airport's communications links.

Thousands of telephone subscribers in Oxford were cut off when the town's exchange was disabled by a major fault. Some engineers who had earlier walked out agreed to return to work to repair the fault.

The National Communications Union (NCU), which represents the 110,000 engineers, said there were no reports of suspensions or industrial action in Scotland, Northern Ireland, or Liverpool.

About 6,000 members of the NCU's clerical group also joined the strikes.

About 1,200 engineers have been suspended for refusing to work overtime, according to the NCU. BT says the staff are contracted to work over time "where reasonable."

The engineers began an overtime ban and work to rule last week, in pursuit of an improved pay offer, after talks with the company broke down 10 days ago.

The action is likely to intensify over the next few days. The union expects another 20,000 engineers will join the action today after suspensions yesterday. Staff in Birmingham, the east and central Midlands will take action today.

They will be joined by engineers in Lancashire and Cumbria on Wednesday.

About 2,000 engineers meeting in Sheffield voted to continue their strike until 3 suspended staff are reinstated. The union say 250 staff at Leamington Spa have been indefinitely locked out.

## Sales reduce stock of under-used land

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE Government's drive to bring back into development derelict inner-city land held by local authorities and nationalised industries has led to the disposal in the last year of more than 10,000 acres.

The effect of these sales is to bring down the size of a national register of under-used land to under 100,000 acres for the first time.

"The regeneration of our inner and outer-city areas will depend on getting this sort of land back into use, particularly in the north," Mr John Patten, the Minister for Housing, Urban Affairs and Construction, said yesterday.

The register of under-used land was drawn up in 1983. At that time 146,000 acres were shown as derelict or under-used.

Under the Local Government, Planning and Land Act 1980, the Government has power to direct owners of land on the register to dispose of it unless the owner can provide a use for it. The Department of Environment said that, at the moment, it has outstanding 168 notices which could lead to the disposal of under-used sites.

About 60 per cent of all the under-used land is owned by local authorities and a further 25 per cent by the nationalised industries. Last year over half the land taken off the register was in the north-west of England, the north, Yorkshire and Humberside and the West Midlands.

## Tobacco backing for sport reduced

By Lisa Wood

THE GOVERNMENT yesterday announced that the amount of money tobacco companies can spend on sports sponsorship is to be reduced.

The reduction comes in a new voluntary agreement struck between the Government and tobacco companies in an area that has aroused some of the most bitter controversy. Out of total annual sponsorship of about £120m tobacco companies contribute about £8m.

The new agreement pegs this amount to 1985 levels of expenditure, a cut of about 8 per cent on the previous base line established in 1976.

Other elements of the new agreement include:

- Companies will not sponsor events designed to appeal mainly to spectators under 18 years of age. The previous agreement covered only participants under 18 years.
- Media advertising will not depict any participants in a sport.
- The size of health warnings on signs at televised events will be increased from 10 to 15 per cent of the size of the sign.
- Tighter controls will be made on the siting of signs at televised events.

The agreement will be monitored by the Committee for Monitoring Agreements on Tobacco Advertising and Sponsorship which is chaired by Sir Peter Lazarus.

The new agreement replaces one that came into effect in March 1982 and lasts at least until October 1989.

Mr Richard Tracey, Minister for Sport, said he was grateful to the tobacco companies for the way in which they had pursued the negotiations, and for accepting more specific controls over their sponsorship activities, particularly where the events were to be televised.

The Tobacco Advisory Council, which represents tobacco interests in the UK, said that although the agreement was voluntary, it would be adhered to. It said: "Further restrictions and loss of marketing freedom represent very considerable concessions by the industry."

It said that sport sponsorship had been done by tobacco companies for more than 25 years in more than 60 sports, and increased restrictions had come after criticism representing a small body of opinion.

The British Medical Association, which has called for the total abolition of sports sponsorship by tobacco companies, condemned the new agreement as a "licence to allow tobacco to continue with sponsorship."







## Company Notices

### THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 01/00251/06
DIVIDEND No. 103
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 19th December, 1986 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 29th January, 1987 is 1 rand or 100 cents equals 32.117646p United Kingdom currency. The gross dividend payable to the United Kingdom Paying Agents is therefore, equivalent to 240.8824p per share. Holders of share warrants to bearer are informed that payment of Dividend No. 103 will be made on or after 30th January, 1987 upon surrender of Coupon 104 at the London Bearer Office of Hill Samuel & Co. Ltd., 45, Beech Street, London EC2P 2LX.

| | Amount Payable per share (U.K. Currency) p |
|---|---|
| Equivalent in United Kingdom currency of dividend declared | 240.8824 |
| Less: South African Non-Resident Shareholders' Tax at 15% | 36.1324 |
| AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS .......... | 204.7500 |
| Less: United Kingdom Income Tax at 14% on the gross dividend (See Notes 1 & 2 below) .......... | 33.7235 |
| AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS .......... | 171.0265 |

Coupons must be listed on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

BARNATO BROTHERS LIMITED
London Secretaries
Mrs. A. F. Smith
Secretary

99, Bishopsgate,
London EC2M 3XE.
19th January, 1987.

NOTES:
(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is: 240.8824p.
(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 14% instead of at the standard rate of 29% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

### KANSALLIS-OSAKE-PANKKI

(Incorporated with limited liabilities in Finland)
US$100,000,000
Subordinated Floating Rate Notes due July 1997

In accordance with the terms and conditions of the notes, we hereby give notice that the next payment date will be April 21, 1987.
—Annual interest rate for the period of January 21, 1987 to April 21, 1987 will be 6½%.
Interest payable will be:
—US$162.50 per US$10,000 nominal principal amount for registered notes
—US$162.50 per coupon for US$10,000 denomination notes
—US$4,062.50 per coupon for US$250,000 denomination notes.

Banque Generale du Luxembourg
Societe Anonyme
Agent Bank

### CAISSE NATIONALE DES TELECOMMUNICATIONS

Floating Rate Notes Issue of US$300,000 1985-2000

For the period of 1 month from January 20 to February 20 1987 (31 days) the notes will bear interest rate of 6⅜ per cent per annum. The payable interest due February 20 for each nominal note of US$10,000 will be US$54.90.

### ITO-YOKADO, LTD (CDRs)

Referring to the advertisement of March 12th, 1986 the undersigned announces that as from 15th January 1987 bonus dividend No. 30 of CDRs Ito-Yokado Co., Ltd. will be payable in cash with US$117.65 per CDR repr. 5 Dep.Shs. to 10 Shs.; US$1,178.50 per CDR repr. 50 Dep.Shs. to 10 Shs. and with US$2,357.-- per CDR repr. 100 Dep.Shs. to 10 Shs. at Kas-Associatie N.V., Spuistraat 172, Amsterdam.
Amsterdam, 8th January 1987.
AMSTERDAM DEPOSITARY COMPANY N.V.

### SARAKREEK PARTICIPATIONS N.V. ESTABLISHED AT CURACAO NETHERLANDS ANTILLES

NOTICE IS HEREBY GIVEN to the holders of the insurrendered Coupon No. 7, which was entitled to receive a stock dividend of 1 share per 20 existing shares at May 31, 1985 and also the Coupon No. 9, which was entitled to the same per May 30, 1986, that these Coupons are not exchangeable for shares any more. The shares reserved for that purpose are now sold. All Coupons No. 7 and No. 9 will only be exchangeable for cash from the date of this publication onward. The respective amounts are: US$1.80 for 1985 and US$1.80 for 1986 per ordinary share of US$0.... par and will be kept available at the office of the Company at 6 John B Gorsiraweg, Curacao (N.A.). It should be taken into consideration that a certain amount shall be deducted to cover the bank charges.
AMRO TRUST CORPORATION N.V.
Managing Director

## Personal

BUSINESS OPPORTUNITY SWITZERLAND. Small HVAC Contracting/Engineering firm (Aktiengesellschaft) for sale, established 50 years with good references. Located in town between Zurich and St. Moritz with favourable tax law. Contact Mr. A. Schibli P.E. at the N.Y. Mariott Marquis from 19th to the 23rd of January.

## Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

## UK NEWS

# Hopes rise of improving economy before election

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

*THE Government's hopes of a* strong improvement in Britain's economic performance in the run-up *to the general* election were boosted yesterday by fresh evidence of a rebound in manufacturing output and of *smaller rises in* industry's costs.

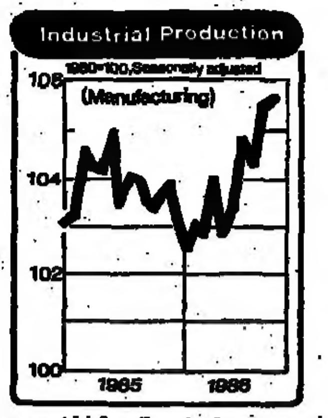
Official figures showing higher industrial output and productivity coincided with growing optimism in financial markets that there will be scope for sizeable tax cuts in the budget.

The Central Statistical Office said that manufacturing production, which has benefited from buoyant domestic demand and from the export opportunities resulting from last year's fall in sterling's value, has picked up substantially in recent months.

In the three months to November output was about 1.5 per cent higher than in the previous three months and is now thought to be rising at an annual rate of 2.5 to 3 per cent.

Separate figures from the Department of Employment show a marked improvement in productivity, which has brought a sharp fall in the annual rate of increase in manufacturers' unit costs.

The department said that manufacturing output per head in the three months to November was 1.8 per cent higher than in the previous three-month period, and 4.4 per cent higher than in the same period a year earlier. That meant that the annual pace of growth in unit costs in the three *months to November* fell to 3.0 per cent, less than half the rate seen at the start of 1986.




Lord Young, the Employment Secretary, said that Britain's unit costs were now rising less fast than those of its competitors, boosting the *prospects for higher output and* more jobs.

The Treasury, which forecast in its Autumn Statement that the growth of unit wage costs in manufacturing would slow to about 2½ per cent in 1987 from 8 per cent in 1986, is now thought to be, if anything, slightly more optimistic.

The productivity gains are in part a natural function of the upturn in output – companies are producing more without taking on extra workers, so that output per head immediately rises. In fact, manufacturing companies are continuing to shed *workers at the rate of about 8,000* per month.

There are also signs, however, of a more fundamental improvement in performance following the massive shake-out of labour in manufacturing in the early 1980s.

Output per head across the whole economy has been growing by between 1.5 and 2.5 per cent, despite increases in the number of people in work.

The upturn in manufacturing output shown in the latest figures will boost the *confidence of the Treasury* that companies are responding to the boost to competitiveness provided by a lower pound.

It is now clear that production has been rising steadily from the second quarter of last year after *falling in the latter half of 1985.*

Against that, output is still only 1 per cent above its peak in 1985 and is still below 1979 levels. Overall industrial production also remains relatively depressed following a fall in North Sea oil production

# Steel sheet and coil prices to rise 5–8%

By Nick Garnett

*BRITISH STEEL Corporation* is raising prices of stainless sheet and coil by between 5 and 8 per cent from April 1, the fourth price rise in a year.

Prices of these products, which are used by a wide range of consumers including domestic equipment, process plant and some car makers, are still well below that they were two years ago despite increases of up to 26 per cent through last year.

Demand for stainless sheet and coil has picked up sharply in recent months and the corporation said it was trying to restore real prices to what they were at the start of 1985.

Even with the impending increases, prices for these products are still below those charged in most European markets by continental European producers.

BSC is undertaking not to raise prices of stainless sheet and coil further before the end of this year unless there is a dramatic change in the market, or a very steep rise in raw material costs.

It said the rises in April would have been higher if it was not for the outcry by some customers after previous price increases.

# Lloyd's awaits third reckoning

**Nick Bunker** reports on the latest inquiry into policing London's insurance market, set up after the PCW affair

A GOVERNMENT command paper – said to be very long, and very learned – will be published on Thursday. Sir Patrick Neill's investigation of self-regulation at Lloyd's of London will be over officially.

So, for the third time in two decades, the inner circles of Lloyd's are awaiting, with no small anxiety, the findings of an outsider's inquiry into their affairs.

In 1968, there was the Cromer report. Never made public at the time, its preparation was a response to fears that the market's principles contained anachronisms *fatally* unsuited to attracting new underwriting members (the "names" who provide Lloyd's working capital).

Then there was Fisher – commissioned in 1978 by Lloyd's itself, but limited in scope. Sir Henry Fisher's task, completed in 1980, was purely "to inquire into self-regulation at Lloyd's," and make recommendations arising.

His most controversial finding was to propose that insurance brokers – the marketing arm of the insurance world – must remove possible conflicts of interest by selling their managing agents, the bodies which run *Lloyd's syndicates* (the market's basic underwriting unit).

Implemented by the 1982 Lloyd's Act (the result of a private bill), that divestment rule still allowed them to keep their members' agencies, who recruit names, place them on syndicates and are charged with defending their interests.

And now there is Neill. Mr Peter Miller, chairman of Lloyd's, has not yet seen Sir Patrick's report, according to Mr Alan Lord, chief executive of the Corporation of Lloyd's the market's central secretariat.

If so, Mr Miller's weekend will be a busy one. The signs are that the report – to which Sir Patrick's three-man team has devoted a year of research – will be the most far-reaching study yet of the market's regulatory needs.

True, its scope appeared to be narrow when it was first announced on January 9 1986 by Mr Leon Brittan, then Trade and Industry Secretary. It was to ask "whether the regulatory arrangements being implemented under the 1982 Lloyd's Act provide protection for the interests of members of Lloyd's comparable to that proposed for investors under the Financial Services Bill."

*But Lloyd's is a subtle place.* Just making it conform to the Financial Services Bill's standards could – some argue – require technical measures that would in aggregate add up to major changes, both structural and in the market's culture.

Neill might, for instance – according to rumour – recommend a fresh form of divestment: "divorce." That would require managing agents to split off entirely from members agents, again to minimise conflicts of interest.

That would not, in itself, require a new Lloyd's Act (Fisher's committee did not say divestment had to be *decreed explicitly in the 1982 Act*). It could be done by by-law – as could measures, say, to load the *Council of Lloyd's with outsiders*, or to formalise more strictly the post held by Mr Lord.

But parliament *may not trust* Lloyd's to implement Neill's recommendations in its own by-laws, rather than in statute.

Behind Mr Brittan's appointment of the Neill inquiry lay parliamentary controversy over the Financial Services Bill's notorious clause 40 – which explicitly excludes Lloyd's names from the *definition of investors* whom the bill protects. The PCW affair, involving allegedly huge misappropriations of funds belonging to names, had emerged after the passage of the 1982 Lloyd's Act.

That scandal apparently pointed to the need to balance self-regulation against statutory control in the way the Financial Services Bill proposed for the rest of the City of London.

Cynics have always argued that the presence of 56 Lloyd's names on the Conservative back-benches meant that Government intervention in its affairs would be kept to a minimum. The scandals, however, and the perceived danger to Mrs *Thatcher's* government from misconduct in the City, have ensured that Lloyd's no longer has grounds *for complacency on that score.*

To a considerable extent, the fate of Sir Patrick's recommendations will be determined by the reaction of the hard-core of two dozen Conservative back-bench MPs who emerged in late 1985 as advocates of greater external supervision of Lloyd's.

Most prominent amongst them was *Mr Patrick Jenkin*, the former Environment Secretary. But they also included leading Tory experts on City affairs such as Mr Anthony Nelson, and Mr Tim Smith. Some of them were singled out for vigorous behind-the-scenes lobbying by the PCW Names 1985 *Committee*, in an effort to ensure that Lloyd's was subjected to the authority of the Securities and Investments Board, the City of London's new watchdog.

Insofar as a consensus emerged among the MP's, it was that the *Financial Services Act might, indeed*, be the wrong vehicle for guaranteeing investor protection at Lloyd's – but if so, either the Government, or Lloyd's itself, would have to bring forward another statute to do the job.

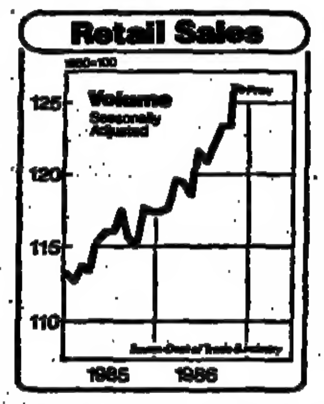
# Retail sales slip but buoyant trend holds

BY JANET BUSH

RETAIL SALES fell back slightly last month from November's record levels, but the buoyant trend still *appears to be in place.*

The volume dropped by 0.4 per cent in December from the previous month which had seen a sharp rise of 2.6 per cent, according to provisional, seasonally adjusted figures released yesterday.

Department of Trade and Industry officials (DTI) said that sales of durable goods remained at record levels in December, but the food and mixed businesses sectors were slightly off their peaks.




These figures seem to confirm the picture painted in the latest Confederation of British Industry/Financial survey of the distributive trades published last week which suggested that, although December sales had remained very strong they were slightly disappointing in view of retailers' optimism in November.

The DTI officials noted that the volume of sales had also slipped between November and December in 1985. This suggested that people tended to do their Christmas shopping relatively early, and that it was premature to suggest a slowing in the consumer boom which had been in place since the summer. Real incomes have been rising strongly.

In the three months from October to December, the level of sales was 2.5 per cent higher than in the previous three month period and 7 per cent *up on the same period a year* ago.

The DTI's index of retail sales volume was set at a provisional 125.9 (1980=100) in December compared with November's 126.4 and October's 123.2.

# Burton agrees to clarify executive share scheme

BY NIKKI TAIT

SIR RALPH HALPERN, chairman *of Burton, is to write to* shareholders later this week explaining further details of the new performance-related executive share option.

The letter to shareholders follows some institutional disquiet of the scheme, which announced earlier this month. Under the scheme, around 80 employees could be entitled to share options worth eight times their annual remuneration, and 10 per cent of the company's equity could be involved in the granting of such options.

However, in order to be able to exercise the maximum level of options, *Burton's real earnings growth* must exceed 30 per cent within a five-year period and its cumulative earnings per share growth must put it in the top 25 companies constituting the FT-100 Share Index.

The decision to send a new letter to shareholders *follows a meeting* between the company and institutional investors yesterday. The meeting was described by one observer as "fairly friendly."

Another said: "There isn't open warfare – the company explained that there are additional limits which weren't in the letter to shareholders and these will be spelt out."

The National Association of Pension Funds, which was represented by members of its investment committee *at yesterday's meeting, said* afterwards: "We will now be considering the chairman statement and will react accordingly."

One problem is that the granting of performance-related options is a relatively new development and the formal rules of the NAPF and Association of British Insurers have not been fully revised to deal with the new developments.

Broadly, it is agreed that no more than 5 per cent of the company's equity should be granted under non-performance related schemes and no more than a further 5 per cent under a performance linked one. There was some concern that in the period when the old and new Burton scheme overlapped, up to 15 per cent of the company's equity could have been involved.

# High-tech companies hold talks on merger

BY NIKKI TAIT

TWO fast-growing high-technology companies – Oxford Instruments, which is best known for *its* superconducting magnets used in body-scanners and UEI, an electronics and engineering group – announced yesterday that they were in merger discussions.

If the merger *goes ahead* – and full terms of the deal are likely to be disclosed on Thursday – the combined group would have a market capitalisation of around £450m.

Last night, Mr Peter Micheal, chairman of UEI, said that the merger would bring particular benefits through the joint development of products in the scientific, analytical and medical instruments fields.

The two companies also benefits from their combined *strength* in semi-conductor tooling and from the greater financial muscle which a merged group would have.

"We have held discusions several times in 1985 and 1986," said Mr Barrie Marson, chairman of Oxford Instruments, "and the timing now seemed right."

The two companies are of roughly equal size. Oxford Instruments, whose shares added 22p to 458p yesterday, is capitalised at £218m. UEI, down 11p at 386, is slightly larger at £232m. In the last full year to January 1986, to UEI made profits of £13m and City analysts expect this to rise *to around* £17m in the current year.

Oxford produced £17.2m in the 12 months to March 1986 and is expected to make around £22m in the current year.

Lex, Page 15
Analysis, page 24

# Jobs count underlines regional disparity

**By Philip Stephens**

FRESH EVIDENCE of a widening north-south divide in Britain's economic performance has been provided by as yet unpublished official statistics showing that the south east of England is gaining a disproportionate share of new jobs in the economy.

The figures, compiled by the Department of Employment, indicate that the south east can claim 446,000 or 47 per cent of the 945,000 new jobs created in Britain over the past three years. Scotland, the north west of England, the north, and Yorkshire and Humberside account in total for only 135,000 or 14 per cent.

Covering the period September 1983 to September 1986, they confirm the trend towards greater economic disparities between regions evident in the latest employment census, published earlier this month. The census indicated that regions in northern England, Scotland and Wales had born the brunt of job losses in the early 1980s.

Since March 1983, the number of jobs in the economy has been rising, but the structure of employment growth – with strong expansion, for example, in areas such as financial services – has favoured the south.

The south-east usually attracts a sizeable share of new jobs because it starts with the largest workforce of any of the regions. The extent of its gains over the last three years, however, is much greater than its 34 per cent share of total employment would normally imply.

That tilt is reflected as the proportionate, rather than absolute, job gains in different regions. While the number in work in the south-east rose by 5.6 per cent, in the north-west the increase amounted to only 0.7 per cent.

The figure for the north of England was a healthier 3.6 per cent, but in Wales was just 0.2 per cent. Similarly, Scotland saw its employment rise by only 0.5 per cent. The west and east Midlands fared rather better, with gains of 4.3 per cent and 4.6 per cent respectively.

# Employers seek budget investment stimulus

**BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT**

MEASURES to encourage investment and innovation among small businesses and lower interest rates should top the list of the Government's budget priorities, the Confederation of British Industry (CBI), said yesterday.

In its representations to Mr Nigel Lawson, the Chancellor of the Exchequer, the employers' organisation urges him to opt for only modest tax cuts in the March budget. That approach could provide the environment for cut in interest rates which would boost industry's competitiveness.

The CBI suggests that further cuts in the basic and higher rates of income tax should be left until after the general election. This year the Chancellor should concentrate his attention on the lower paid by raising thresholds 5 per cent more than needed to keep up with inflation. That would cost less than £1bn in the 1987-88 financial year.

The general expectation in financial markets is that the Chancellor will reduce taxes by at least £2bn and possibly by £3bn, but the CBI cites several reasons why he should be more cautious.

It predicts that the current account of the balance of payments will show a £2.25bn deficit in 1987 and that the annual inflation rate will be above 5 per cent in 1988. The pace of increase in public sector pay also casts doubt on the viability of the Government's spending targets.

In those circumstances CBI economists believe that the price of a "giveaway" budget might be even more rapid growth in imports and a consequent need to hold interest rates at their present high levels to defend the pound.

It suggests that the overall "fiscal adjustment" in, or cost of, of the budget should be kept down to £1.2bn in the first year and £1.6bn in subsequent years.

Apart from tax cuts for the low paid, Mr Lawson should focus resources on encouraging the growth of small companies, which the CBI says is the sector most likely to boost employment, and on providing further resources to improve Britain's infrastructure. It cites a number of particular measures which would encourage enterprise and investment by small businesses.

Mr Lawson should introduce 100 per cent capital allowances on investment up to £25,000 by unincorporated business and by companies paying the lower rate of corporation tax. The measure is needed because the higher tax bills faced by small business after the phasing-out of general capital allowances are preventing them from hitting investment targets.

The employers' organisation calls for the reintroduction of exchange risk cover for loans from the European Community. The withdrawal of cover last year had introduced a major disincentive for small firms to take advantage of such low cost finance.

Extension of the tax relief provided by the Business Expansion Scheme should be another priority, while Mr Lawson should also extend business asset relief from inheritance tax.

*Wanted for Enterprise – Real Rewards, the CBI's Budget Representations 1987: Price £6. Confederation of British Industry, Centre Point, 103 New Oxford Street, London WC1 1DU.*

**APPOINTMENTS**

# Director for Lloyds Merchant Bank

Sir William Harding has been appointed a director of LLOYDS MERCHANT BANK and international adviser to LLOYDS BANK from March 16. He will succeed Sir Michael Wilford who retires at the end of March. Sir William, who joined the Diplomatic Service in 1950, was Deputy Under-Secretary of State, Foreign and Commonwealth Office responsible for the Americas, Asia and the Pacific Region. He retired on January 17.

★

Mr Lynne Kelley has been appointed president and chief executive officer of BUTLER SHOE CORPORATION, a wholly owned subsidiary of Sears. He was previously president of Elsber Camuto Retail Corporation. He will be taking up his responsibilities in Atlanta, US immediately.

★

Mr Ziggy Markgraf has been appointed engineering director of E. W. BLISS (ENGLAND) and Thomas Ryder and Son.

★

Mr Andrew M. Zielinski has been appointed finance director of PERGAMON BPCC PUBLISHING CORP., publishing subsidiary of the British Printing & Communication Corp. He was finance director of Academic Press, a subsidiary of the American company Harcourt Brace Jovanovich.

★

MARUMAN SECURITIES CO. has opened a London representative office. Mr Yuzo Noda has been appointed general manager and Mr Takao Kubomura assistant general manager. Both were previously senior executives with Maruman's international division in Tokyo. Mr Frank C. Shields, who was an executive director — capital markets group and chief economist of EBC AMRO Bank has joined Maruman in London as senior representative.

★

Mr John Sharrock has been appointed marketing director of SPILLERS FOODS from February 1. He joined Spillers in 1970 and held a number of senior appointments in marketing and planning before moving to Dalgety UK in 1982. Mr Sharrock is corporate planning manager, Dalgety UK, with special responsibility for mergers and acquisitions.

★

Mr Melvyn J. Taylor has been appointed financial director of FOSTER BROTHERS CLOTHING, Solihull. He is also company secretary and managing director of Foster Brothers (Central Services). The Fosters Group is a division of Sears.

★

GUINNESS BREWING has appointed Mr J. Mark Pullen as finance director. He joined Guinness in 1984 as financial controller from Unilever, where he was a group accountant.

★

Mr Warren Palmer has been appointed to the board of ATLANTIC COMPUTERS and as commercial director of Lion Systems Developments, a group subsidiary. Mr Palmer will be responsible for all sales and marketing activities at Lion Systems. He was previously corporate development manager for the group. Mr Paul Clark, technical director of Lion Systems Developments, is also to join the board of Atlantic Computers. Mr Chris Heuvel joins the board of Lion Systems Developments as finance director. He was an associate director of ANZ Merchant Bank. Mr John Lee has resigned from the board of Atlantic Computers and from his post as managing director of Lion Systems Developments. He will continue to work with the group as a consultant. Mr Lee has resigned for personal reasons unconnected with the business affairs of either Atlantic Computers or Lion Systems Developments.

★

Mr Steve Tolhurst has been appointed managing director of THE P. J. H. GROUP. He was operations director. The group is owned by Lonrho.

## FT LAW REPORTS

# Foreign judgment does not stop English case

CHARM MARITIME INCORPORATED v KYRIAKOU AND ANOTHER

Court of Appeal (Lord Justice Slade, Lord Justice Dillon and Sir Edward Eveleigh): January 12 1987

**ENGLISH proceedings will not be stayed on the ground that judgment arising out of the same cause of action and between the same parties has been given in a foreign court, *unless the matter* has been finally disposed of in the foreign country; and although legitimate juridical advantage is not in itself decisive of whether the English court is the appropriate forum, it is a matter to be taken into account by the court when deciding where the case may be tried *suitably* for the interests of all parties and the ends of justice.**

*The Court of Appeal* so held when dismissing an appeal by Mr Kyriakou, first defendant, *from Mr Justice Peter Gibson's* judgment refusing his application for a stay of proceedings brought against him and second defendant Mr David Mathias, by Charm Maritime Incorporated. Mr Mathias was not a party to the application or the appeal.

LORD JUSTICE SLADE said that Charm was a Liberian corporation. Mr Kyriakou was a Greek shipowner. He controlled Conrad Shipping and Jallop Investments. Mr Papageorgiou was *another Greek shipowner.* He controlled the Transoceanic group.

*On March 2 1979*, a memorandum of agreement was entered into between Transoceanic and Mr Papageorgion, and Mr Kyriakou and Conrad. In consideration of Conrad assuming Transoceanic's debts, it was agreed that all Transoceanic's shares should be vested in Conrad. The agreement was to be construed in accordance with English law and any dispute was to be referred to the English court.

In March 1979, Mr Mathias asserted that Transoceanic owed *him $448,350 and threatened* to arrest two ships in the Transoceanic fleet. With a view to satisfying him, Mr Kyriakou entered into a declaration of trust by which he declared that he held 75 fully paid-up shares in Jallop in trust for Mr Mathias and agreed to transfer them in such manner as Mr Mathias should direct.

Mr Kyriakou now asserted that he agreed to give Mr *Mathias* the rights conferred by the declaration of trust subject to certain conditions.

Mr Mathias apparently did not recognise that the declaration had been entered into subject to the alleged conditions. On February 8 1980 he entered an agreement with Mr Papageorgiou and Charm by which he represented that he was the actual owner of the 75 Jallop shares, and sold all his title in the shares to Charm. The agreement was subject to English law.

*During 1980 Charm made* a number of demands to Mr Kyriakou for delivery of the Jallop share certificates, but they were ignored. On December 11 Charm began civil proceedings in Greece against Mr Kyriakou, seeking delivery of the shares. Greek law did not embody any law of trusts. *Charm could have pleaded that* English law was the proper law of the declaration of trusts. Its *action, however, was in rem* and relied on Greek law.

Charm's claim was dismissed on purely procedural grounds. Its subsequent appeals were dismissed. In the present proceedings evidence for Mr Kyriakou was that the Greek judgments would not preclude a future action by Charm in Greece *remedying the* procedural defects or based on the English concept of trusts. Charm adduced contrary evidence.

On January 28, 1985 Charm began English proceedings against Mr Kyriakou and Mr Mathias. It *claimed a declaration* that Mr Kyriakou held the shares on trust, or that the *declaration of trust* was a contract governed by English law to transfer shares to Mr Mathias. In the alternative it claimed damages against Mr Mathias for breach of warranty of title to the shares, or misrepresentation.

On May 29 1985 Mr Kyriakou issued a notice of motion seeking an order staying the proceedings as against him.

The judge dismissed the application for a stay.

On the present appeal Mr Chadwick for Mr Kyriakou founded his case, *first on* abuse of process. He submitted it was an abuse for Charm to raise arguments in the English proceedings which it could have raised, but chose not to raise, in the concluded Greek proceedings.

Over the years English law had developed the principle of *res judicata*

The doctrine had two branches, "*cause* of action estoppel" and "issue estoppel." The distinction was explained by Lord Denning in *Fidelitas [1966] 1 QB 630*: "If one party brings an action . . . for a particular cause and judgment is given . . . he cannot bring another action against the same party for the same cause . . . But within one cause of action there may be several issues . . . once an issue has been . . . determined . . . neither party *can be allowed* to fight that issue all over again . . ."

In the present case the relevant *form (if any) appeared to* be not issue estoppel as was suggested, but cause of action estoppel. In the Greek and the English proceedings Charm was asserting against Mr Kyriakou a cause of action based on an alleged better title to the shares.

It was plain from *Carl Zeiss [1967] AC853 that a foreign* judgment was capable of giving rise to cause of action estoppel, but there could be no such estoppel unless the former judgment was a final judgment on its merits. Final judgment on the merits in the context of cause of action estoppel meant "that the merits of the cause of action must be finally disposed of so that the matter cannot be raised again in the foreign country."

Since it was common ground that the evidence now before the court did not yet establish *that Charm* was no longer free to litigate its claim to the 75 shares in Greece, no abuse of process had been established.

Mr Chadwick's second ground of appeal was that Greece was the more appropriate forum for resolution of the disputes.

Mr Justice Peter Gibson found against Mr Kyriakou on the question of appropriate forum for two separate reasons: first, that Greece was not a forum in *which justice could be done* between the parties at substantially less inconvenience or expense; and second, that because of Charm's position *vis à vis* Mr Mathias, a stay would deprive it of a legitimate personal or juridical advantage.

In *Spiliada [1986] 3 WLR 972* Lord Goff said with regard to *forum non conveniens* the mere fact that the plaintiff had a legitimate personal or juridical advantage in proceedings in England could not be decisive.

The key to the solution, he *said, lay in the fundamental* principle: "We have to consider where the case may be *tried suitably for the interests* of all the parties and for the ends of justice."

Mr Chadwick submitted that Mr Justice Peter Gibson, in balancing the relative merits of an English and a Greek forum, had erred in that he attached no weight to the question whether Mr Kyriakou would seek to call expert evidence of Greek law if the proceedings continued in London, in order to establish that there was an *estoppel in* Greece.

On the evidence now before *the court res judicata was* still a live issue which was likely to feature prominently at the trial of Charm's claim wherever it took place.

For present purposes its weight could not be discounted.

However, the estoppel factor could not be viewed in isolation. To be set against it was the judge's conclusion, not challenged on appeal, that England rather than Greece was the more convenient *forum for* establishing the crucial issue whether the declaration of trust was subject to the alleged conditions.

Further, if proceedings were to continue in Greece it was fair to assume that Charm would introduce a claim pleading that English law was the proper law of the declaration of trust and relying on the English law of trusts. In that event evidence as to such law would have to be adduced to the Greek court.

A *further* factor was Charm's juridical advantage by virtue of *it position vis a vis* Mr Mathias.

The evidence did not explain why Charm had not sought to join Mr Mathias as party to the Greek proceedings. However, the fact was that it had already succeeded in getting Mr Mathias (who was not resident in the UK) before the English court.

*In all the circumstances* there was a clear and real legitimate juridical advantage to Charm in being able to continue proceedings against Mr Mathias and Mr Kyriakou in the same action in the UK.

The court was entitled to take into account the factor of legitimate juridical advantage *in considering the appropriate* forum.

The weight of the estoppel factor pointing towards Greece as the appropriate forum was not underestimated. However, three major factors had to be set against it. The English court was the more convenient forum for determining (a) whether the declaration of trust was subject to the alleged conditions; and (b) any questions relating to English trust law. Added to those two factors was Charm's legitimate juridical advantage in an English action.

No sufficient grounds for ordering a stay were established.

The appeal *should* be dismissed.

Lord Justice Dillon and Sir Edward Eveleigh agreed.

*For Mr Kyriakou: John Chadwick QC and Julian Malins (Horrocks and Co).*

*For Charm: Ian Hunter QC and David Ritchie (Elborne Mitchell and Co).*

**Rachel Davies**
*Barrister*

## UK NEWS

# Ford retains leadership of tractor market

BY NICK GARNETT

FORD NEW HOLLAND retained *its position as market leader in the* UK for agricultural tractors last year, increasing its share to almost a quarter of total sales.

The performance of the company, renamed this month after the purchase by Ford Tractors last year of Sperry Corporation's New Holland farm equipment division, was helped by sales of the Force Two range of tractors, introduced at the end of 1985.

Massey-Ferguson, the tractor-making arm of the Varity Corporation, saw its market share slip slightly to 20 per cent of the market. The company said yesterday that the figures did not include sales of its 300 and 3000 series models introduced at the end of 1986.

Case International, despite being the most aggressive price discounter in the UK, also suffered a decline in share of sales though it retained its third place slot, well ahead of John Deere.

Most of the tractors sold in Britain by Ford, *Massey* and *Case* are made in the UK. The biggest importers after Deere in unit sales were *Deutz, Renault and* Fiat.

The UK market is one of the weakest in Europe, total sales last *year falling to 18,788 units, a drop* of 24.8 per cent on 1985. This has led to some fierce price discounting with tractors offered for sale at up to 62 per cent below list prices.

Case, part of the Tenneco group of the US, and now combining the former agricultural equipment division of International Harvester with that of JI Case, is usually pointed to by the rest of the industry as the most aggressive price discounter.

The company has denied that it is simply buying market share. Mr Jeremy Lamb, Case's agricultural sales *director in the UK, said* yesterday he did not believe his company was giving any more money away than anyone else. "Everyone has been fighting to keep market share," he said.

The industry is not expecting any significant change in demand in the UK through this year. Massey said yesterday that it thought the market would actually decline by 500 unit sales.

It believes, however, that discounting might be less aggressive because companies have been cutting capacity to bring production more in line with demand.

Ford has confirmed that *production of the 41 to 84hp tractors* at the company's US plant at Romeo, Michigan, which Ford is closing *over the next two years,* will be transferred to its Basildon plant in Essex, north-east of London.

**UK AGRICULTURAL TRACTOR MARKET**
(% share)

| | 1986 | 1985 |
|---|---|---|
| Ford New Holland | 24.4 | 23 |
| Massey Ferguson* | 20 | 21.7 |
| Case International | 18.5 | 19.2 |
| John Deere | 13.3 | 12.5 |
| Deutz | 3.7 | 3.5 |
| Renault | 3.6 | 2.8 |
| Fiat | 2.9 | 3.3 |
| SAME | 1.7 | 1.9 |
| Mercedes | 1.1 | 1.1 |
| Others† | 10.9 | 10.7 |

**Figures exclude Massey's new 300 and 3000 series models*
*†Mainly East European producers*

# US company sues Rank for $500m over Wharfedale sale

FINANCIAL TIMES REPORTER

*AN AMERICAN* businessman, Mr Gerald Murphy, and his company, Cicero Industries, yesterday claimed $500m (£328m) in the High Court in London over a Rank Organisation decision, four years ago, to sell off its Bradford-based Wharfedale loudspeaker business.

The action, alleging breach of contract, is being defended by Rank Organisation subsidiaries, Rank Audio Visual and Rank RW (formerly known as Rank Wharfedale).

Mr Peter Irwin, for Cicero Industries, and Mr Murphy told the court that in April 1981, Cicero had signed a three-year agreement with Rank for the exclusive distribution of Wharfedale loudspeakers and headphones in the US. But 17 months later Rank had sold the Wharfedale business.

"As the history unfolds, it will *show an apparently reputable* organisation anxious to improve its balance sheet, secretly plotting an planning a closure and *sale* over a period of several months while its distributors and employees alike are kept completely in the dark. When the news broke in July and August 1982, it came as a very big surprise to everyone," Mr Irwin said.

At the same time as Rank was secretly looking for a buyer for its Wharfedale operation, it was urging its US distributor to spend more money on sales promotion.

In May 1982 Rank Wharfedale invited its distributors from all over the world to a Wharfedale 50th anniversary celebration to be held that July.

Rank was by then "desperate" to find a buyer but had still not told *anyone of their plans and were* still encouraging their employees and distributors to think that all was *well. Losses* were then running at about £1m, Mr Irwin said.

"When the distributors assembled in London on July 12 for what they thought was going to be a Wharfedale celebration, the thunderbolt was unleashed and an amazed audience was told that Rank Wharfedale was going to close its doors at the end of the month. Many of the distributors, particularly the American distributors, were furious."

Mr Irwin said Rank Wharfedale closed the business on July 23 and in August made a deal with Tradewest to sell the business cheaply at "fire sale" prices.

Rank denies breach of the distribution agreement. The hearing continues.

# Barclaycard cites debt problems

BY HUGO DIXON

ALMOST 100,000 people had long-term problems repaying money borrowed on their Barclaycards last year, according to figures released by the credit card company yesterday.

*At the same time,* Barclaycard announced record turnover and numbers of applications for new cards in 1986. Spending on Barclaycard last year totalled £5.4bn, 22 per cent higher than in 1985, and 861,000 people applied for cards.

The figures are likely to be seized upon by those who argue that credit card companies and other lenders are irresponsibly pushing consumer loans.

Barclaycard, however, rejected any suggestion that it had been acting irresponsibly. Its chief executive, Mr Peter Ellwood, said: "We continue to take care to ensure that our cards are issued only to those people who are able to handle them properly and the percentage of applications turned down exceeded 30 per cent in 1986."

## TECHNOLOGY

# How electronic sculptors are shaping up to the job

**Peter Marsh examines a model application for computers**

MODERN computer technology is finding application in one of the oldest and most craft-based activities in manufacturing industry — making engineering models.

Models, highly accurate representations in wood or plastic, of what components will look like in full-scale production, are vital in high-precision industries such as car manufacturing and aerospace. Behind every new car design, for example, are months, sometimes years, of intense engineering effort in which technicians produce models of virtually every major component in the vehicle, from valves to wing mirrors.

Illustrative of the steps taken by model makers into new technology is the experience of one small British firm, Woodmasters, based in Loudwater, Buckinghamshire. For the first 19 years of its existence, the company, which works for car companies such as Ford, Jaguar and Vauxhall, produced its models the traditional way, by hand.

This meant weeks, sometimes months, of painstaking effort, in which a technician would fashion a solid segment of plastic or wood with a chisel, occasionally glueing pieces together. From an engineering drawing supplied by the car company, he would arrive at a shape that corresponded to the description of the new component, to within a tenth of a millimetre.

Two years ago, Woodmasters spent £500,000—a large outlay for a business employing 50 people and with annual sales of about £1.5m—on equipment for computer-aided design and manufacture (CAD/CAM). This enables engineers at the company to receive direct from car companies computer tapes specifying the shape of a prototype part. The information is then fed into a machine tool which cuts out the model automatically from a blank piece of material.

As well as satisfying engineers that the component looks and feels right, models are used extensively in making the tools eventually needed to manufacture the parts.

Alan Goater, Woodmasters' managing director, says his company's investment, financed with a £200,000 bank loan and from the profits of previous years, was necessary to put his enterprise on a similar technical footing as the world's leading vehicle companies, which in recent years have spent heavily on CAD/CAM.

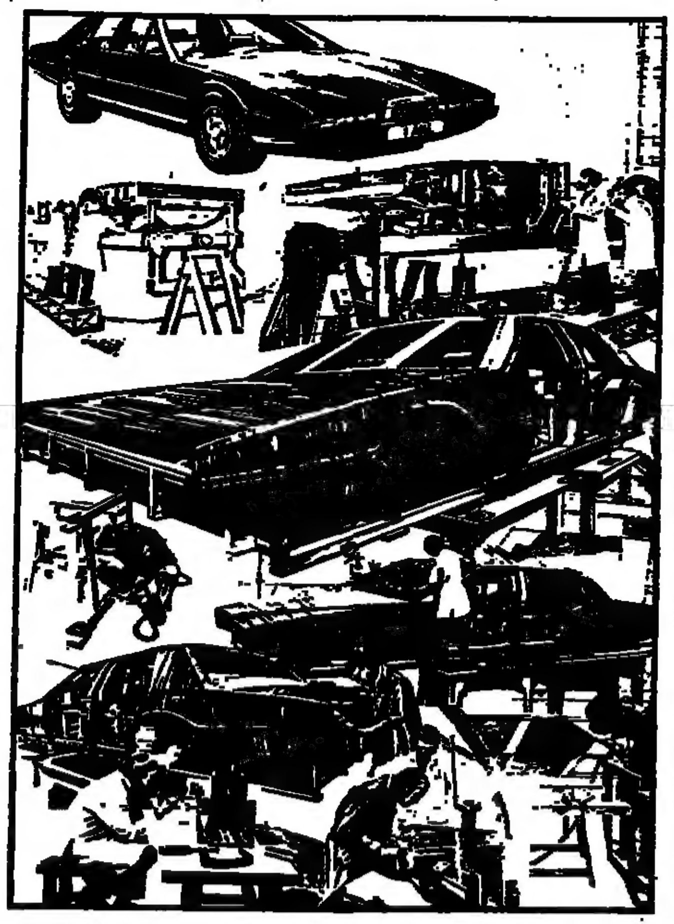
Only those motor industry sub-contractors with a similar expertise in this technology will continue in business, reasons Mr Goater. "Without the investment I reckoned we would be buried within a few years," he says.

Today, the decision is starting to pay off. About a fifth of Woodmasters' output of several hundred models a year are fashioned using the CAD/CAM route, with the rest produced by the traditional techniques. Mr Goater hopes to increase the proportion of CAD/CAM work to half within a couple of years.

The main attraction of CAD/CAM, for Woodmasters, is that models can be produced in typically a tenth of the time of the manual method. In some cases, the savings can be even higher, says Mr Goater. He cites the fashioning of a windscreen housing which, by the manual technique, took about 150 hours of work. This was reduced to six hours using CAD/CAM—the time includes two hours to prepare the computer data from the car company plus a further four hours of cutting with a machine tool (see separate story).

Car companies do some modelling themselves, but rely heavily on specialist modelling companies such as Woodmasters—of which there are about six in Britain and several dozen in the whole of Western Europe. By encouraging component makers, including modellers, to organise themselves around CAD/CAM, the car concerns hope to reduce the time lag between design and production and cut manufacturing costs.

In some cases, component makers have gone to the lengths of installing computer terminals which can receive CAD/CAM data from car companies by telecommunications networks, cutting out the need to send tapes. In one instance, according to Dave Watson, coordinator of CAD work at Ford UK, his company managed to omit the modelling stage altogether, jumping directly from computer-aided design of a component to full-scale production. It used computer graphics to view the design of a new part, a wing mirror, and then authorised production at the manufacturer concerned, Chichester-based Britax.



Prototype in the making. New car designs require models to be made of almost all the major components

Such a state of affairs, by removing the expense and time of making models, seems hugely attractive for the car producers. But according to Mr Goater, it will be many years, before computer technology has advanced to the point that a representation of a part on a screen can routinely substitute for a model that an engineer can touch. "The model is always going to be a useful medium," says Mr Goater. "A physical shape gives everyone the assurance that, once production starts, they will get what they want."

## INCREASED OUTPUT FROM A MARRIAGE OF CRAFTSMANSHIP AND AUTOMATION

**BY PROMISING to increase productivity tenfold at Woodmasters' factory, the company's £500,000 investment in automated production might have seemed likely to put people out of work.**

**But this ignores the facts of life in modelling, and in other areas of skilled engineering. Companies in these activities frequently turn down work because they are short of staff.**

**As a consequence, according to Alan Goater, Woodmasters' managing director, his concern should be able to use the technology to expand output without making anyone redundant.**

**Mr Goater complains that he finds it desperately difficult to increase his workforce of 50. These are mainly modellers and toolmakers, with the skills to interpret engineering drawings and turn them into precisely fashioned components made from wood, plastic or metal.**

**Britain's manufacturing industry, in decline for the past 10 years, is training far fewer people with these craft-based skills than in previous decades. And workers with the necessary expertise who have lost their jobs in the manufacturing heartlands of northern England are, frequently, unable to afford the high house prices of affluent Buckinghamshire.**

**One of the reasons for Woodmasters' move into new technology, says Mr Goater, was that to keep up with demand for its services from car companies the business needed to raise productivity substantially. In the main, according to the managing director, the workforce at Woodmasters has had few problems in adapting to CAD/CAM.**

**Take the company's new £200,000 computerised machine tool, supplied by Design Technologies, of Northampton, which cuts models from wood or laminate in a fraction of the time of the old manual method. In charge of this equipment are not computer engineers but two modellers, Ian Wragg and Andrew Adams, who previously shaped products by hand. Mr Goater insists that to operate the machinery is not just a question of pressing buttons. "You need to have a feel for the job," he says.**

**The company's one computer engineer — it is thinking of recruiting a second — is Julian Mayes, who is in charge of formating the computer tapes that are sent to Woodmasters by car companies. He does this using a £170,000 CAD system produced by Selenia Autotrol, an Italian-US partnership with a UK base in Birmingham. The rest of Woodmasters' £500,000 investment in technology comprised extra tooling costs plus training.**

**The Selenia Autotrol equipment, crucially for any company working with the UK car industry, can handle computer tapes which emerge from different CAD systems. This is necessary because the main UK car makers all use different CAD software. Ford works out its engineering designs using Prime systems, while Rover Group and Jaguar have plumped for Computervision and Vauxhall for IBM machines.**

# Sorting out dishes on extensive menu for cable television

**FILM AND VIDEO**

by John Chittock

IN CENTRAL LONDON, television viewers with an insatiable appetite can now watch any of 18 video channels and also order—from televised menus—complete meals, delivered to their doors by local restaurants. The services come via Westminster Cable Television, one of Britain's new fibre optic networks which are now vying with broadcasters and some satellite operators for hungry audiences.

After extensive media coverage about satellite TV, a note of confusion may begin to enter the minds of the public—now facing a potential cornucopia of television goodies. One impression emerging is that satellite television will open an Aladdin's cave of programming choice at little or no extra cost.

To some extent, this is true. For about £1,000, it is possible to purchase the necessary large dish aerial and associated equipment (or rent it for about £50 per month). All that is needed then is a £10 licence (a once-only charge) from the Department of Trade and Industry.

There are, however, snags which may be easily overlooked. Apart from the aerial needing an unobstructed view of the satellite (difficult if a block of flats or tree is in the way) plus a very rigid mounting, and planning permission for dishes over one metre in diameter, the free-for-all in viewing may soon become a pay-for-all. Present satellite TV transmissions are mostly intended for reception by cable TV operators—who pay the suppliers for the right to relay them to cable subscribers. Others receiving the programmes may be doing so illegally.

In consequence, some satellite operators are beginning to scramble their transmissions—even those, such as Sky Channel, which are supported by advertising. When direct broadcasting by satellite (DBS) becomes available—a service tailored for consumer reception—its more powerful transmissions will be suitable for dishes less than one metre or more which require planning permission, and the cost of an installation could be under £200 if companies such as Amstrad have their way.

The much smaller DBS dishes thus seem to pose a challenge to both broadcast TV and cable operators. But although the proud owner of a smaller dish, fixed to the chimney pot or garden shed, could—when DBS services become available—expand the choice of programmes on view, someone somewhere has to pay for them.

Advertising may provide some of the operating costs for DBS, but it is almost certain that most, if not all European DBS programmes, will be scrambled—so that viewers have to pay a charge when they rent the special decoders necessary to view the DBS channels, or pay a subscription fee if they buy them. Since the scrambling of signals is uniquely addressable to each decoder sold, the service can be switched off if subscriptions are not renewed.

All of this could add up to some disenchanted consumers who, rushing out to buy larger satellite dishes (possibly some 3,000 in UK at present) or simpler DBS dishes later, find that programmes are being scrambled and are not receivable—or, in the case of DBS, require a subscription fee.

The cable TV companies on the other hand look to satellite relay as a convenient way of receiving programmes from all manner of sources, negotiating contracts with the suppliers, and offering them to cable subscribers along with the many other channels of a typical cable system.

Under these circumstances, the distribution of satellite transmissions can be controlled and managed. Yet even the cable operators have problems, not least financial. Westminster Cable, for example, only has 4,000 subscribers towards the 15,000 it needs to break even. And those wonderful interactive (the response of screen material to user instructions) channels are still in an experimental mode—Westminster's dinner at your door service comes only when the viewer orders from the telly menu by using the old fashioned telephone.

Westminster's interactive capability exists, and is operational on text-only services such as local shopping. But more sophisticated ideas—such as allowing the subscriber to call up an interactive video disc player and control it as if it was there in the living room—await a sufficient number of subscribers, and discs, to justify the service.

Westminster is able to show how its system works, such as with a demonstration of the *BBC "Book" of Garden Birds*—a video disc on which the viewer can "call up" different bird sequences, freeze frame, go to reverse or slow motion and so on; all via a keypad which operates the video disc player at the cable station's base.

Yet one of a number of difficulties facing such applications is the question of rights payments. It is still not clear whether the cable operator will have to pay a total rights fee or a "pay-per-view" fee to reflect each individual access to each video disc.

It may be significant that of Westminster's 4,000 subscribers, about 60 per cent own VCRs (higher than the national average) and none take the very cheapest "basic" service but pay a premium for extra channels on offer (in total up to £27.50 per month). This tends to imply that the appeal of cable is to the elite or the dilettantes. Which may be true, too, of satellite.

The UK Consumers Association, in its current issue of *Which?*, is less than enthusiastic about the programmes available on satellite at present. And a flick through the January UK cable programme guide may prompt some discriminating viewers to wonder if the service offered for another £300 or so per year—on top of the £58 colour TV licence fee—seriously challenges Britain's four broadcast TV channels.

Cable and satellite extend the choice considerably, but of bad as well as good. The outstanding benefit of cable to the viewer might be interactive services—especially on video, an experience that has to be seen to be appreciated. But ironically, this unique selling point for cable is still far from being a significant element in the services offered. Cable and satellite are thus competing with broadcasting almost head-on, at a higher price for viewers and substantial risks for the operators.

# MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

## How a good design was hooked on Mull

**Feona McEwan on the origins of some award-winning fishing tackle**

THE story of Knotless Fishing Tackle, the award-winning sea angling gear now storming the UK angling community, starts with a disenchanted toy designer, a passion for fishing, a Scottish island and lots of lateral thinking.

That was 12 years ago, when Brian Swinbanks, then head of the concept design team at Raleigh Industries, got "on his bike" and headed for Tobermory, on the Isle of Mull off the West coast of Scotland, to set up a boat charter business (he was later joined by his brother Duncan). Today, the Swinbanks find themselves with a potential world product range on their hands.

The fishing cognoscenti who have used it are already hailing it as a breakthrough in "terminal" tackle—that is devices used at the end of a fishing line. But this month it got itself noticed by a wider audience when it was awarded a British Design Award by the Design Council.

Essentially the Knotless system enables sea anglers to make quick changes to their hooks, lures and bait without the fiddly business of knotting the line or cutting it in the time-honoured way. The products are all known as booms, which is fishing parlance for the connections that hold hooks and lures proud of the main line.

Two of the three Swinbank designs are unique. First there are two weight booms—Maxi and Mini: the Maxi holds the hook-carrying line at right angles to the main line. Second is the knotless Paternoster boom, which is clipped on and off and is now patented in the UK and US. It took two years to finalise the design and "took us up a lot of blind alleys," Brian, 42, recalls. As a keen amateur angler himself he knew first hand of the problems he set out to overcome. He recognised particularly the need among anglers, given the increasing paucity of fish, for tackle that could be changed quickly and easily.

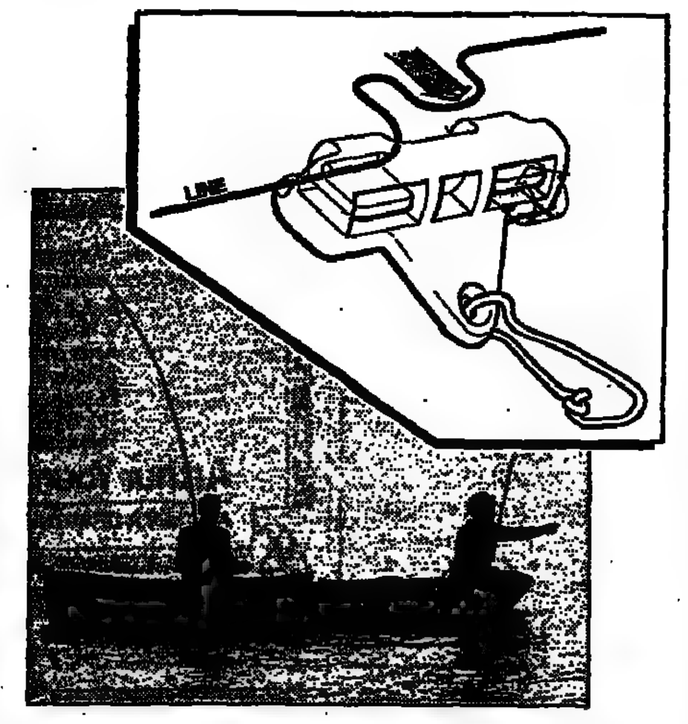
Swinbanks' attention to detail in what is a finicky delicate product is keen, as illustrated when he was designing his own range of wire booms. These have to be strong but flexible. Usually they are made in brass or stainless steel which bends as required but then has to be strengthened by hand. Swinbanks replaced this with a highly-tempered sprung steel which bends up to 90 degrees and back despite being only 1 mm thick. This was developed by O. Mustad and Sons, the international Norwegian-based company that is the world's largest manufacturer of fishing hooks. Mustad also came up with a specially-coated salt-water-resistant finish.

When launched on the UK market at the annual fishing tackle trade show in Birmingham last July, Knotless was a star turn, with British and overseas distributors keen to do exclusive deals. The brothers signed nothing and returned to Tobermory to think about it. "We thought we'd sell a few thousand," says Brian, "but we didn't expect all the interest."

When Mustad persevered they agreed on an exclusive deal whereby that company handles the distribution and packaging (though this was designed by Brian). This leaves the Swinbanks free to manufacture—which they do with the help of two part-timers, shortly to be boosted by one full-timer and, it is hoped, a Youth Opportunities Scheme candidate—and to design. There are plans for translating the products for fresh water angling.

It is still early days; production stands at around 10,000 booms a week. Trade reaction to the boom has been "excellent" but, as Swinbanks remarks, "the proof of the pudding is with the anglers." Currently available in the UK through Mustad distributors, the range is being test-marketed in Asia and parts of Europe. Italy has just taken 30,000 units, worth about £10,000.

"Initial orders are fairly modest but we do know distributors are very excited about it. When you consider the small unit cost of each article, it is a considerable order," says Sid Sarbutts, managing director of Mustad's UK operation. "We are very confident it will be taken up in the US," though the push there is scheduled for a later date.



One of Knotless Fishing Tackle's award-winning designs: the mini weight boom which is now patented

Swinbanks is coy about turnover at this stage. "There are lots of terminal tackle manufacturers about, mostly small," he says. "We're not a multi-million-pound operation but in its own way it seems a success."

What began as an idea for filling the slack winter months (when the tourist business quietens) is now a a year-round business.

Initially the idea developed after a brainstorming session between the brothers in which they set themselves a well-defined brief. The product had to be small and lightweight, cheap to send by post and be able to sell on quality and performance not simply on price. "It was not a sudden flash of inspiration," says Swinbanks who, since leaving Raleigh, where he had designed toys like tricycles, pedal cars, sit-and-ride mobiles, had always wanted to return to manufacture.

One of the main hurdles in the whole process was working to ferry timetables given that the printers were in Cheshire, toolmakers in Lanarkshire and a graphic designer in Dorset.

The 1987 British Design Award, announced for the tackle this month, is, says Brian, "a great seal of approval."

## Penalties for late payers

THE CAMPAIGN to bring pressure on companies which are late in paying their bills has been given an extra boost by the presentation to the UK Parliament last week of a bill which would impose a financial penalty on offenders.

Allan Stewart, MP for Eastwood Glasgow, put forward a Bill under the ten Minute Rule to allow small businesses to claim interest on unpaid bills. His speech was unopposed and the Bill will be given a second reading on April 3. Stewart's Bill follows a period of intensive lobbying by the Forum of Private Business, a pressure group, and comes two months after the Confederation of British Industry (CBI) outlined its own plans to curb the late settlement of bills.

The latest proposal would provide legislation to help small businesses' invoices to be paid on time but would not allow larger companies — public limited companies or plcs — to use the same legislation against small firms.

The new Bill would allow companies with unpaid bills to put in a claim for the interest due but would exclude the principle sum due from the action. This would mean that the sum being claimed would in most cases be small enough to be dealt with cheaply by a County Court.

At present creditors claiming interest must also claim the principle sum due. In most cases this pushes the total amount of the claim above the £50,000 limit set for County Court, or in Scotland, Sheriff Court actions, and means companies must start costly High Court proceedings.

The Forum of Private business argued that as the Government benefited from legislation to ensure PAYE, Corporation Tax and VAT were paid on time, it was not unreasonable to give small businesses the same rights.

It believes the legislation should not be capable of being used as a weapon against small businesses, which, it said, were the worst affected, so restrictions should apply to larger companies using it against small firms.

According to figures produced by the forum, £57bn was owed to small businesses in the UK in April 1986 and the average delay in payment was 75 days from the date of invoice. Seventy-one per cent of the slow payers were public limited companies.

It cited a conclusion reached by the Law Commission in 1978 that current law was inadequate and that the introduction of statutory interest was appropriate. Most countries in Europe have laws entitling creditors to interest on late payments while Japan imposes fines on late payers.

Last November Andy Scott, CBI deputy director for smaller companies, outlined a five-point plan to reduce payment delays. It included educating creditors on their existing rights to obtain interest and improved debt collection procedures through the county courts. However, it did not call for a statutory right to interest, arguing the disadvantages would outweigh advantages.

Nimtech

## An incubator for technology

**Ian Hamilton Fazey reports on a novel network in the north west which aims to maximise co-operation between its members**

AT LEAST 14 leading British companies have formed a novel type of network to promote new and improved technology among themselves and between big corporations and small business. It will start full operations early this year.

The new body has been named Nimtech — short for "new and improved technology" —and is chaired by Con Allday, who retired last year as chairman of British Nuclear Fuels (BNFL). It will operate initially in the north west, where the idea originated.

Private sector founders of the network include British Aerospace, BICC, BNFL, British Telecom, Ferranti, GEC, ICI, Mullard, Peat Marwick, Pilkington, Rolls-Royce Motors and Unilever. Barclays and Costain are expected to be the next recruits. The UK Atomic Energy Authority was also in at the start.


Con Allday: chairman of the new body

The idea was initially developed within Pilkington brothers, the St Helens-based glassmaker, and arose from a study of how to encourage new, high technology small business. David Boult, the outgoing head of the Community of St Helens Trust who is also a former director of BICC, is on Nimtech's board, together with leading industrialists in the region.

Part of the idea is to prevent unused or under-used technology gathering dust in large companies when it could be "spun out" profitably to small ones with lower overheads. But it is also hoped that Nimtech will help identify small businesses developing new technologies in which large companies could take venture capital stakes. The large companies might eventually be interested in outright acquisition.

In addition, Nimtech may also identify smaller companies with the right sort of skills to which large corporations could contract out some of their research and development.

The initiative is being supported by most of the universities and polytechnics in the region, as well as some local authorities and the Departments of Employment and Trade and Industry.

Member companies are being asked to subscribe 0.05 per cent of turnover between limits of £300 and £3,000. Since Nimtech has already been granted enterprise agency status by the Government subscriptions can be offset against Corporation Tax under the terms of the 1982 Finance Act.

Nimtech will have several main components, including computerised links with relevant databases and a directory of products, skills, capabilities and technological requirements of its members.

It will also organise industrial forums — open to any interested business or body—to increase awareness of new technology. Likely subject areas include automated manufacture, better handling techniques, welding, ceramics, and filtrations and dispersions. These will be supplemented by specialist discussion groups to focus on practical application of specific technologies.

Several large companies have also agreed to second senior technical staff to Nimtech so that a nework of "field officers" can be set up. Field officers — who will begin operating this year — will be assigned to specific organisations and subject areas to identify new technological opportunities.

This sort of "technical" secondment will be new in British industry. Although the principle of secondment has become thoroughly established in the last five years, it has so far tended to involve general managers or accounting staff working with conventional types of enterprise agencies, where free advice is given to small businesses.

Two secondees are already at work at Nimtech—Dr Reg Adams from Pilkington and Denis Mannix from Unilever. Both trained as chemists but went on to specialise in other areas, of which Adams's is glass fibre technology and technological management. Mannix is Unilever's expert on scientific databases and is therefore playing a key role in setting up Nimtech's.

Nimtech's only employee so far is Audrey Tonks, a former senior secretary at Pilkington, who is company secretary and administrative manager.

Adams says: "Our main objective will be to promote the adoption of new technology by industry. It will be technology that will improve competitiveness, increase investment and create new market opportunities.

"We hope to see much more transfer of technology and skills in a widely ranging technology network. We also want a greatly improved technological interface between big companies and small businesses," he adds.

Close relationships with enterprise agencies will be established to ensure a good link with the small business sector. Adams also intends to link up with chambers of commerce, innovation centres and government departments.

The initial target is a network of 80 organisations, with 500 aimed for in the north west alone. Nimtech, at present operating from a borrowed office in Pilkington's headquarters, will eventually move to somewhere in the M6 corridor. Warrington's highly successful, private sector-led, Birchwood Science Park is favourite, if room can be found there.

Besides being at the crossover point of the M6 and M62 —which is the "time centre" of Britain's motorway systems —it also houses the UK Atomic Energy Authority and BNFL, both of which could be counted on to lend organisational and service support.

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### The Fourth FT City Seminar

**London — February 6, 9 and 10, 1987**

The FT City Intensive Seminar was organised twice in 1986 and on each occasion achieved maximum capacity attendance. The Seminar is to be held again on Fegruary 6, 9 and 10 under the chairmanship of the FT Conference Adviser, Mr Marc Lee, and with Mr Win Bischoff of Schroders, Mr David Suratgar of Morgan Grenfell, The Rt Hon Sir Edward du Cann, MP, Mr Christopher Johnson of Lloyds Bank, Mr Tony Richards of Quilter Goodison, Mr Edgar Palamountain, Mr Peter Rawlins of R. W. Sturge and Mr David Malcolm of Royal Insurance among the speakers. The Seminar provides one of the best opportunities available in London to examine the workings of the main institutions of the City of London and the February agenda includes a review of the changes that have resulted from Big Bang.

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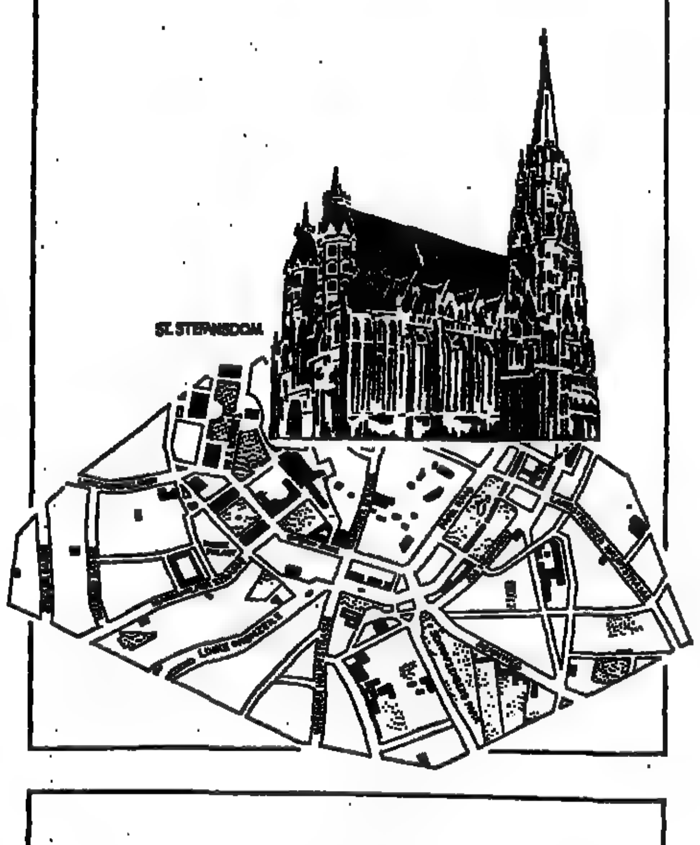


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# THE ARTS

## Royal Academy/William Packer

# A flawed century that nearly succeeds

With *British Art in the 20th Century*, the Royal Academy continues its series of major historical survey exhibitions of the art of the last 100 years that comprehend the rough span of modernism. The great mixed shows at the turn of the 1980s, given first to Post-Impressionism in its widest application, and then, in *A New Spirit in Painting*, to the most recent of international developments, set the scope of the exercise.

Now the curatorial attention has turned *from* the general to the particular, and *from* the international to the work of the several national schools within this period. A little over a year ago it fell to German Art to start us on this second phase in the programme. Next year it will be the turn of modern Italian Art: but for the moment it is British painting and sculpture that, until April 5, fills the galleries. The exhibition has been substantially underwritten by British Petroleum, the sole sponsor. As with the German show before it, the run at the Academy is to be followed by a move to Stuttgart and a showing at the Staatsgalarie through the early summer.

And again like the German show, this *British Art* is already the creature of considerable controversy. Much of it, it must be said, is of its own making, and while some of the mischief may be allowed as a positive spice and virtue, not all is helpful nor even entirely witting. No survey, however big and ambitious, can hope to be properly exhaustive and must rather stand or fall instead on the quality of its partiality. Here at least there is none of the glib forgetfulness that, by omitting a whole generation at the heart of its period and all of constructivism besides, marred the German show but the lesson might still have been better learnt.

To gloss this British show in its subtitle as *The Modern Movement*, when it can present no more than aspects of aspects of modernism, evinces either naivety or carelessness of a kind that warrants a truly Bracknellian scorn. It is merely silly, confusing and unhelpful to set up expectations that cannot be satisfied. To speak of the figurative, romantic and expressionist strains in British modernism would have both said it better, by accepting its limitations, and proposed an arguable case. The organisers would have been spared justifiable yet unnecessary attack, with attention concentrated not only upon real pleasures and surprises but also on the substantial importance of the exhibition.

For it is not the travesty that some commentators would have it, so much as a flawed exhibition that comes very near success. It is thoroughly delightful and enjoyable at almost every turn for the particular works it shows us. By their collective quality and the seriousness of their professional engagement they stand in splendid vindication of the achievement of British Art in modern times, which is long overdue a proper acknowledgement, and therein lies its importance. We have too long persuaded ourselves, and others have not been slow to take us at our word, that in the world of the visual arts we are a non-visual nation, masters only of the second-hand and second-rate. Even on the limited evidence at its disposal, this exhibition readily gives that prejudice the lie.

The world may not have beaten a path to our door to learn by influence and example but we have given expressive substance nevertheless to our peculiar qualities of originality and vision. Our artists have given us much to celebrate. If this exhibition necessarily proposes a dozen others by its defaults and omissions, it does nothing to lessen the virtues of that part we see.

Its principal failure is a simple failure of nerve. The omissions game is easy to play but at times a necessary indulgence. Here, its paradoxical conclusion is that, by an even more ruthless policy of exclusion, rather more could have been shown and a truer demonstration achieved. The decision to show major artists in some depth wherever possible, by early, middle and late work, was bravely taken and justified in the event, but its critical corollary was baulked at.

"Supper" by Mark Gertler

Given the bias that emerged in the selection towards figuration, and expressionism in particular, this is nowhere shown better than in the splendid hang in the huge Gallery III of the paintings of Bacon, Freud, Auerbach, Kossoff and Andrews. Surely it was more than unnecessary to include the post-1960 abstract sculpture of Anthony Caro, let alone squeeze it into that very room. His most recent work of all would have been more appropriate. And with space at such a premium—the Academy is not limitlessly commodious—why show inadequately the abstract painting and sculpture of the 1960s and 1970s, and minimalism and conceptualism too, good as it all is, that occupy so uncomfortably the two South Rooms, and yet require the fullest and most generous treatment. Such tokenism runs throughout the show.

The organisers must understand it is such apparent perversity that makes their omissions the more puzzling and painful. To begin with Sickert, Gilman, Camden Town and Bloomsbury is reasonable, but then to give us nothing of the Scottish colourists, Fergusson, Peploe and Cadell, is inexplicable, especially so when room is found for such minor figures as Drummond and Ginner. Indeed, the Scots are conspicuous by their absence throughout. And so it goes on. Leaving aside the absence of such individuals, as William Nicholson, Joan Eardley, Euan Uglow, Keith Vaughan or Prunella Clough, where there is something of 1930s surrealism, 1940s neo-Romanticism, the Kitchen Sink realism and proto-Pop of the 1950s, and indeed the current figurative expressionism of Crowley, Farthing, Bellany, le Brun, Campbell, Howson . . . ? Where indeed.

But all that said the exhibition is there to be enjoyed and considered as it is. From Camden Town we move on through Vorticism and the First World War into the 1920s and 1930s, to Gwen John, Matthew Smith, Gertler, Burra, Spencer, Roberts, Bomberg and Nash, Unit One and the Euston Road, Gill, Gaudier, Epstein, Dobson and Hepworth to Moore at the fulcrum of the show. Then on we go through the expressionist sculpture and to Pop-art of the 1960s and to St Ives abstraction of the 1950s, Bacon and his associates, and so at last to the 1970s and 1980s.

In all this it is not so much the heroes — Sickert, Nash, Lewis, Bomberg, Moore, Spencer, Bacon, Epstein, Auerbach Kitaj, the student surrealist Hockney — but their obvious international stature that is the great surprise. Moore, Bacon and Hockney are the admitted exceptions, but why have we not made so much more of the rest? Paul Nash was clearly a true original (he more than anyone justifying the policy of multiple exposure as he appears at intervals through the first half of the show), war artist, Unit One surrealist, romantic visionary. But the show does powerful work not just of confirmation but of signal critical reinstatement. The sculpture of Frank Dobson has been too long under-sung, the 1920s victim perhaps of the younger Moore's later success. William Roberts is rightly retrieved from his later academic obscurity. The wonderfully hedonistic painting of Matthew Smith needs no other justification than itself. And Mark Gertler, a painter hard to place, various and often pushed for convenience aside, here with a wall to himself is shown to be simply a fine artist by any measure.

Here perhaps, with Gertler and Smith, Nash, Roberts and Spencer, lies the clue to the singular quality of British Art. The mistake has been to look both to influence given and influence received as criteria of value and success, rather than to the works themselves on their own terms, inalienable, self-sufficient and idiosyncratic, and beautifully done. We must never forget that Turner, our greatest artist, made his own way and had few followers.

## Opera in Palermo, Naples and Bari

**William Weaver**

The great Teatro Massimo in Palermo, monumental achievement of the 19th century Sicilian architect G. B. Filippo Basile, has been closed for several years for restoration. The work, under the sensitive supervision of Gianni Pirrone, is advancing; and before the end of the decade, the operatic season should be back in its noble house. In the meanwhile, the Massimo functions regularly, but in the smaller, inconvenient Politeama Garibaldi, a slightly later theatre in charming neo-Pompeian style. Actually, the colourful interior seemed perfect for the inaugural production of the current season: a bold revival of Ottorino Respighi's virtually unknown *Semirama*, a steamy re-telling of the story of Semiramis, the incestuous queen of Babylon.

Originally performed in 1910 in Bologna, when the composer was barely 30, the opera was published in Respighi's lifetime, but never revived till now. As the Palermo hearing convincingly demonstrated, *Semirama* holds considerable interest still. Though his great successes as a symphonic composer were in the (near) future, in 1910 Respighi was already a supreme master of the orchestra; and this youthful opera constantly bewitches the listener with its iridescent orchestral textures, now gossamer-fine, now massive, overwhelming, all brilliantly expounded by the keen conductor Massimo de Bernart.

The vocal writing is less felicitous. There are any number of sumptuous scenes for the title role, but also for the second soprano (especially her long aria at the beginning of the last act), but, perversely, Respighi accompanies them often with his most dense and complex orchestration. Luckily, the Semirama was Carol Neblett, whose clarion voice dominated even the wildest instrumental explosions. She looked every inch a queen (with a suggestion also of Theda Bara) and she gave herself totally — and excitingly — to the part. As her rival and slave-girl, Elena Mauti Nunziata, usually heard in lighter tasks, displayed great reserves of volume. At the same time, she maintained the sweetness that the part of Susiana requires. Piero Visconti, as the queen's son and fiancé, was good and loud: somewhat wooden as an actor, but the text gave him little to work with.

In fact, the libretto — by a certain Alessandro Cerè — is a farrago of D'Annunzio imitation, with none of the master's genius. Fortunately, the Massimo engaged Sandro Sequi as producer. A man of taste, but also of wit, Sequi invented a staging that was always enjoyable to look at.

It is hard to decide quite what the film-director Lina Wertmuller—with her husband, the sculptor Enrico Job as her designer—was trying to do with the *Carmen* she staged recently at the Teatro San Carlo in Naples making her debut as an opera producer and, at the same time, opening the Naples season. Clearly, her intentions were anti-traditional (the date was shifted to the early 1900s; Lilias Pastia's sex was changed, and the character became the *Madam of a Spanish brothel*); but there seemed to be no attempt to impose a coherent new frame on the story. There was no lack of ideas but they had no obvious connection with one another. As might have been expected, Wertmuller emphasised the erotic aspect of the drama: instead of dancing for José in Act II, Carmen stripped him (to the waist, anyway). And at the end of the opera, before stabbing Carmen, José flung up her skirts and raped her. But these were incidental events. And, finally, the production was a mish-mash.

Having insisted on the collaboration of a well-known exponent of modern dance, Trisha Brown, the producer then had to add more opportunities for the choreographer. So there was dancing (not very good) during the orchestral preludes, and—to make matters worse—Wertmuller invented a mute character, known in the programme as La Bruja. This was Miss Brown herself, almost constantly on stage, swirling a black, fringed shawl, striking gawky attitudes, reminiscent of Popeye's friend, Olive Oyl, and intruding on the singers, even to the point of dealing the cards in Act Three.

In this visual patchwork, it would be good to be able to praise the musical result of the evening. But that, too, was patchy. Carmen was to have been sung by Lucia Valentini Terrani, the eminent Rossinian mezzo; but at the pre-dress rehearsal the artist suffered a nervous collapse and her place was taken by the young Colombian, Martha Senn (who had already been engaged to replace Signora Terrani for a couple of performances). Senn's gypsy was handsome to see, but uninteresting to hear. The voice lacks body and colour. Luis Lima's José, on the other hand, was warm impassioned, deeply moving; and — despite interference created by producer and choreographer — Alida Ferrarini sang Michaela's music with a sweet, true, carrying voice. Boris Martinovich was the Escamillo: bland, but inoffensive.

The conductor was Emil Tchakarov, unfamiliar to many members of the audience. He did not make much of an impression: his dragging tempos, his refusal to inflect the music made this a *Carmen* without musical personality. All in all, this was not an auspicious inauguration.

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If people know anything about the composer Niccolo Piccinni, it is that he was the rival of Gluck, and Gluck won. Like Salieri, he has been a name in music histories but not in opera house programmes. And indeed if any opera house were to mount an *Iphigénie en Tauride* nowadays, they would obviously stage the Gluck masterpiece of 1779, not the Piccinni version (on a different libretto), which saw the light in Paris two years later. But Piccinni came from the southern Italian city of Bari; and in Bari there is the Teatro Petruzzelli, which in the past few years has become one of the most enterprising theatres in Italy. And so, to open its current season, the Petruzzelli in Bari gave the Piccinni opera a slap-up revival, apparently the first in this century.

If anything, this hearing of Piccinni's *Iphigénie* proved that the French 18th century audience was right. The Barese composer is, to be blunt, no Gluck. But he is nevertheless a musician of consummate skill and considerable charm. The writing is always fluent, the use of solo instruments is engaging; and, most of all, the recitative is set with imagination, a real feeling for the words, even though the text of Congé Dubreuil is plodding, mechanical, with little of the menace and invention of the libretto Gluck used.

Perhaps with the idea of enlivening this sedate drama, the Petruzzelli invited Luca Ronconi to produce. In the event, this was not one of Ronconi's most daring efforts. In a crumbling neo-primitive architecture of grey boulders created by Carlo Diappi (also responsible for the costumes), Ronconi stirred up a fair amount of hustle and bustle, though it rarely had much to do with the story.

Still, Ronconi's production was almost always enjoyable to look at and carried the spectators over some of Piccinni's *longueurs*. Donato Renzetti's conducting also helped. Intelligently, Renzetti did not try to make more of the opera than there is in it. He sensitively made evident the felicities of the scoring (the apt punctuation of the wind instruments was particularly happy), and he showed the young Petruzzelli orchestra, formed largely of recent conservatory graduates, at its supple best. The chorus, prepared by Kristan Missirkov, also did a good job.

Piero Visconti and Carol Neblett in "Serirama"

Most of the singers had difficulty enunciating the French words; but, for the rest, they were all adequate and the young soprano Silvia Baleani, in the title role, was more than that. She was elegant in appearance (though she was dressed, inexplicably, as a Victorian governess), and also vocally stylish. Her voice is not big but it is sweet and flexible. Rene Massis was the Oreste dignified and persuasive (and always intelligible). Aldo Bertolo, the tenor who sang Pylade, has a generally pleasing voice but it seems more suited to Mascagni than to the music of the Enlightenment. The Petruzzelli season, which continues until late May, includes dance and drama, as well as opera and concerts.

## Response/Elizabeth Hall

**Dominic Gill**

The very long three-part final concert of the London Sinfonietta's "Response" series on Sunday—nearly five hours of non-stop music-making—was so long and so varied that the effect was sometimes more breathless than illuminating, more fragmentary than coherent.

The two stars of the evening, which was devoted to works by three of the "featured" composers of the series, Stockhausen, Henze and Xenakis, were undoubtedly the soloists, the percussionist Evelyn Glennie and the harpsichordist Elisabeth Chojnacka. Miss Glennie's account in particular of Stockhausen's *Zyklus* for solo percussion was an electrifying tour de force—delivered with marvellous energy and concentration, and with powerful dramatic presence. The timing is immaculate, and the dynamic range is as wide, and as subtly controlled, as that of any percussionist I have heard. Her final, visual coda was just one of many telling details: a slow-motion turn to face the audience, as the last tiny resonances died away, tying the knot, completing the circle.

Elisabeth Chojnacka's performance of Xenakis's *Khoai* for solo harpsichord was similarly gripping—splendidly agile, quicksilver in its responses. The harpsichord calls for a far less demonstrative sort of physical involvement than piano (or percussion): but Miss Chojnacka's was no less arresting for its comparative stillness, cat-like in its spring, fearless in its aim. She was also the soloist in Xenakis's new *A l'île de Gorée*, heard for the first time in England: a complex rhythmic essay for amplified harpsichord and ensemble full of bright lights and hard edges, colourful, provocative. The mechanism runs down like clockwork unwinding, a very slow ritardando capped by a little sprinkle of harpsichord rain.

The excerpts which Hans Werner Henze played us by way of introduction to a complete performance of his *An eine Aeolsharfe* for guitar and chamber ensemble were pointless, and could easily have been dispensed with. The work itself is a clever (Henze's instrumentation is never less than beautifully laid out) but flaccid indulgence—the sort of elegant, pastoral burble that he can write in his sleep. The little five-minute *Konzertstück* for cello and ensemble, which we also heard is a similar exquisite trifle, bland to its very centre.

The Sinfonietta ensemble, under Diego Masson's direction, also gave us Stockhausen's collection of *12 Tierkreis* miniatures, abstracted from his music-theatre piece *Musik im Bauch*—gentle interlude. And a somewhat laid-back account of Xenakis's stormy *Phlegra*: but in the final hour of such a challenging weekend, no one can have been surprised if voltages dropped a point or two.

## Lindsay Quartet/Wigmore Hall

**Andrew Clements**

The latest in the line of distinguished quartets to visit the Wigmore Hall in recent months was the Lindsay, which on Saturday presented an evening exclusively devoted to Schubert. It was altogether the most impressive playing I have heard from this group in a long time; the criticisms one could have made of otherwise memorable recitals in the past were almost entirely denied on this occasion.

The Lindsay's way with Schubert is neither histrionic nor excessively indulgent. The C minor *Quartettsatz* was carefully measured, its opening semiquaver detail admirably clear, its second subject given air to flourish. Here, curiously, more than in either of the larger-scale quartets that followed was an almost undetectable inclination to gild the lyricism too lavishly, to make the pauses something more self-conscious than instinctive points for breath. Yet the A minor Quartet, all its repeats strictly observed, moved naturally from first note to last, with the tone lean and keenly expressive.

If any change has resulted from Robin Ireland replacing Roger Bigley as the quartet's violist it is possibly that the tonal balance has become a little brighter, Peter Cropper's violin playing does not stand now in such sharp relief. The intonation from all four players was generally immaculate, and in the D minor Quartet, the ensemble remained absolutely unanimous, even at moments when tempo was treated with utmost (yet subtle) elasticity. "Death and the Maiden" can be realised in starker dramatic terms than this; the opening can pack more tragic intensity. But the balance between the emotional components of the scheme seemed so well calculated here such cavils were made to seem part of an entirely specious argument over minor interpretative points.

## Crisis faces Sherman, Cardiff

**Annalena McAfee**

Of the many reputations any metropolis attracts, Cardiff was least proud of its claim as the largest city in Western Europe without its own producing theatre company. For any city, this admission would be embarrassing. For a capital, it was galling.

Two years ago, the Welsh Arts Council thought the gap had been filled when they awarded an annual grant of £250,000 to the Sherman Theatre, attached to the University College, Cardiff, to set up its own company. Since then, box office records have been broken at the new company's own productions—including Shakespeare, Stoppard and Willy Russell as well as the Sherman's own musical—and the theatre has continued to act as a "receiving house" for visiting companies.

But this month the Sherman learned that it faces closure within the next year, despite the assurance of continued financial support from the Welsh Arts Council. Cardiff will, once again, be without a resident producing company.

"It is a major disappointment to us that a new and highly successful theatre company faces closure," said Roger Tomlinson, the Welsh Arts Council head of drama. The Arts Council fears that the end of the Sherman will have wider implications for the cultural life of South Wales. Welsh language theatre groups, which traditionally perform at the two Sherman auditoria, may fold without a regular venue.

The theatre, which grossed £400,000 at the box office last year, is the victim not of art cuts but of economies in higher education. University College, Cardiff, in attempting to meet financial targets, plans to withdraw its annual £116,000 direct grant to the theatre and to cease payment for heating and maintenance for the building worth another £100,000 annually.

The university has set a deadline of April 1988 for the Sherman. If a replacement fund is agreed between July this year and April 1988, the university will withdraw its support.

For the Sherman, which has prepared a full programme until July 1988—when its allocation from the Welsh Arts Council is to be reduced—the future is disturbingly uncertain. The company fears that since local authorities' budgets have been already fixed, they are unlikely to step in with fresh subsidies. Support from local industry is being sought.

## Fairs and roundabouts

While the London salerooms remain in virtual hibernation, or rather Sotheby's and Christie's King Street, do, in line with their policy of holding fewer but better auctions, the art buyer can find some consolation in a spate of fairs. The most imminent is the World of Drawings and Watercolours, which starts at the Park Lane Hotel in Piccadilly tomorrow and closes on Sunday.

It will be opened by that one time toiler in the art world, the Duchess of York, and is now an established event in the art fair calendar. This year, this traditionally English interest has acquired an international flavour, with Ivo Bouwman from the Hague, Sven Bruntjen from San Francisco and Galerie Arnoldi Livie from Munich exhibiting.

The attraction of watercolours is their decorative qualities, the achievements of British artists, and a relative cheapness. The 2,000 odd works on offer from 50 exhibitors range in price from £25 to over £10,000, but most crowd into the £100 to £1,000 price category. There are two loan collections to be viewed—some seldom seen drawings by Gainsborough, and a group under the heading "Travellers abroad." Gainsborough is also the subject of one of the four accompanying lectures, along with "Understanding watercolours" by Huon Mallalieu, a good starting point for the prospective collector.

The major British antiques fair, at Grosvenor House, will be held this year between June 10-20. Last year it coincided with some of the few hot days of the summer and all concerned were collapsing with the heat. Now, as part of the £3m refurbishment of the hotel, Grosvenor House is introducing air conditioning to the Great Room, at a cost of £250,000, which will please many.

The restructuring has cut down the size and number of stands, limiting the chances for newcomers, but among those accepted for 1987 to join many of the big names among antique dealers are Mayorcas, specialists in carpets and rugs, and Didier Aaron, the furniture dealer. An innovation will be a series of talks around the theme "The English Country Home and its Contents."

**Antony Thorncroft**

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 16–22

### Opera and Ballet

**LONDON**

**Royal Opera, Covent Garden:** the new production of Otello by Elijah Moshinsky, conducted by Carlos Kleiber, presents on stage the three stars of the recent Otello film – Domingo, Ricciarelli, Diaz. Further performances of the rather subfusc Lucia di Lammermoor revival, with June Anderson in the title role.

**English National Opera, Coliseum:** this week the ENO presents in repertory two of the most heavily criticized productions by the company's director David Pountney – this season's rubbish-dump Carmen, with Sally Burgess, and a revival of The Queen of Spades, Tchaikovsky's romantic opera turned into a murky psychodrama, with Alan Woodrow and Janice Cairns. Further performances of *Die Fledermaus*, with Valerie Masterson and Lillian Watson as a scintillating Adele.

**WEST GERMANY**

**Berlin,** Deutsche Oper: Die Macht des Schicksals has fine interpretations by Mara Zampieri and Giorgio Merighi. The Magic Flute takes the leads Eva Lind, Lucy Peacock and Gerd Feldhoff. Die Hochzeit des Figaro brings Pilar Lorengar, Carol Malone, Gudrun Sieber, Wolfgang Brendel and Bengt-Ola Magnusson together. Prokoviev's ballet Romeo et Juliet closes the week.

**Hamburg,** Staatsoper: Der Rosenkavalier is a fine performance with Teresa Zylis-Gara, Brigitte Fassbaender and Franz Grundheber. Carmen is steered to triumph by Teresa Berganza, brilliant in the title role. Zemlinsky's rarely played Eine Florentinische Tragödie/Der Geburtstag der Infantin features Elisabeth Steiner, Inga Nielsen, Olive Fredricks and Kenneth Riegel. Le Nozze di Figaro is a joint project between Hamburg and Salzburg – Mozarteum. Katja Kabanowa stars Nadine Secunde, Daphne Evangelatos and Franz Ferdinand Nentwig. Also offered Otello and Turandot, both will be conducted by Giuseppe Patanè.

**Frankfurt,** Opera: Die Walküre is revived with a new cast led by Ida Frey-Rabine, Ellen Shade, Sandra Walker, Wolfgang Probst and Walter Raffeiner. La Bohemè is a Volker Schlöndorff production. The week also features Jenufa and Hoffmanns Erzählungen.

**Cologne,** Opera: Lucia Aliberti is repeating her much praised performance in the title role in Lucia di Lammermoor. Moses and Aron has Siegfried Haertel and Günter Neumann in the main parts. Der Rosenkavalier was well received when it opened. A Brigitte Fassbaender lieder recital, accompanied at the piano by Irwin Gage (Wed) rounds off the programme.

**Stuttgart,** Württembergisches Staatstheater: Das Rheingold stars Hanna Schwarz, Wolfgang Probst and Roland Bracht. Siegfried, also a Jean-Pierre Ponnelle production, is an event of more than passing interest with Gwyneth Jones, Toni Krämer and Siegmund Nimsgern. Martha, Loriot's first opera production was received with acclaim when it premiered.

**NETHERLANDS**

**Amsterdam,** Muziektheater. Mussorgski's Boris Godunov performed by the Netherlands Opera conducted by Hartmut Haenchen and directed by Harry Kupfer, with Robert Lloyd in the title role (Mon, Thur). Ballet gala evening with soloists from the New York City Ballet, London Festival Ballet, Stuttgarter Ballet and the Dutch National Ballet (Wed). (255 455).

**Scheveningen,** Circus Theater. Nederlands Dans Theater with Heart's Labyrinth (Kylian/Schönberg), Children's Games (Kylian/Mahler), and a new ballet by Ed Wubbe (Thur). (55 88 00).

**Maastricht,** Schouwburg. La Traviata performed by the Compagnia d'Opera Italiana di Milano (Wed). (21 33 00).

**PARIS**

**Ballets van Dantzig:** Sans Armes, citoyens to music by Hector Berlioz, conducted by Lothar Zagrosek at the Paris Opera (4266 5022).

**Atys,** a 5-act tragedy of Jean-Baptiste Lully (1632-1687) conducted by William Christie in Francine Lancelot's choreography in co-production with the Florence Teatro Communale and the Montpellier Opera, alternates with Bal a la Cour de Louis XIV to music by Marais, Campra and Lully, conducted by William Christie in Louis-Guillaume Pecour's choreography reviewed by Francine Lancelot at the Opera Comique (4286 0611).

**WASHINGTON**

**Washington Opera (Terrace):** Monteverdi's Coronation of Poppea directed by Christopher Alden and conducted by Nicholas McGegan sets Nero's Rome in a contemporary big-business setting with Emily Golden, Rodney Hardesty and Will Roy. The week includes Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production and Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. The 1982 English-language production of The Abduction from the Seraglio continues, conducted by Arnold Ostman with Joyce Guyer as Constanze, David Kuebler as Belmonte and Kenneth Cox as Osmin. Kennedy Center (254 3696).

**CHICAGO**

**Lyric Opera:** La Bohemè returns to the repertory with John Mauceri conducting John Copley's production with Gabriela Benachkova, Giuliano Ciannella, Alan Titus and Paolo Washington. Ghena Dimitrova takes the title role in La Gioconda, conducted by Bruno Bartoletti in Filippo Crivelli's production with the Chicago City Ballet. Lotfi Mansouri's 1981 production of The Merry Widow has its last performances with Maria Ewing in the title role, Alan Titus as Prince Danilo and Jerry Hadley as Camille de Rosillon.

**NEW YORK**

**Metropolitan Opera (Opera House):** The week features the first seasonal performance of La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, Gail Robinson, Tatiana Troyanos, David Rendall and Julien Robbins; Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrick Rootering; Rigoletto conducted by Thomas Fulton in John Dexter's production with Mariella Devia, Sherrill Milnes, Dano Raffanti and Dimitri Kavrakos; Die Fledermaus conducted by Jeffrey Tate with Kiri Te Kanawa, Tatiana Troyanos and Otto Schenk in Otto Schenk's production; and Madama Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Miss Scotto, Vasile Moldoveanu and Lenus Carlson. Lincoln Center (362 6000).

**New York City Ballet (New York State Theater):** The company's 85th season continues with mixed programmes including Variations pour une Porte et un Soupir, last seen a decade ago and Vienna Waltzes. Lincoln Center (870 5570).

**International Festival (City Center):** The Lyon Opera Ballet in its American premiere performs all new pieces, starting with Maguy Marin's choreography for Cinderella in a three-storey doll's house set, followed by a week of mixed programmes including works by Nils Christe, Nacho Duato and William Forsythe. 55th St. east of 7th Av. (246 8989).

**TOKYO**

**Spiritual Energy,** an avant-garde piece devised by internationally-known fashion designer, Kansai Yamamoto with music by Yas-kaz. Parco Theatre, Shibuya (Tue, Wed). (470 2030; 477 5858).

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# Hot air about mergers

THE BRITISH Government's decision not to refer BTR's bid for Pilkington to the Monopolies Commission has aroused a storm of protest. The affair seems to have crystallised a range of resentments and anxieties about issues most of which are wholly irrelevant to the case. These include the impoverishment of the North in favour of the South, the get-rich-quick mentality which is said to prevail in the City, and, more generally, the failings of the capitalist system. Pilkington is being presented as a symbol of everything that is good — social conscience, care for the community, long-term commitment to research — while BTR is associated with the worst kind of asset-stripping and maximisation of short-term profits. In short, much of the comment is wildly out of proportion and is leading some politicians to advocate remedies which would be worse than the supposed disease.

BTR is a well-run company which generally improves the performance of the businesses it acquires. Unlike Pilkington, which is largely concerned with glass, BTR is a conglomerate with interests in a variety of sectors. The record of conglomerates in the UK and the US is patchy; there is always a danger that their managers, anxious to keep up the momentum of growth by making ever-larger acquisitions, will over-reach themselves. But the evidence does not justify the dogmatic conclusion that one-industry companies are invariably better managed or more successful than diversified groups; there are risks associated with either strategy.

### Useful mechanism

Under the market system which prevails in the UK the outcome of takeover bids is normally decided by shareholders. It is perfectly proper for the directors of company A, if they think they can manage company B better than the existing team, to seek to persuade the shareholders in company B of this view. The fashion for takeovers can be overdone, but they are a useful mechanism for putting badly managed assets to better use.

It is always possible for the directors of company B to convince their shareholders that they would do better under the existing management. There have been several recent cases where predators have been beaten off; Pilkington has a reasonable chance of doing the same. It is true that the Guinness affair has raised serious doubts about the techniques used to secure shareholder support in the closing stages of a bid; but this is an argument for improving the regulation of takeovers, not for sending more bids to the Monopolies Commission.

Government intervention in takeovers, as in any other aspect of the market, needs to be subject to clear rules, so that the scope for ministerial or bureaucratic discretion is reduced to the minimum. The best way to do this would be to confine intervention to those bids which threaten to diminish competition. Regrettably, the existing merger legislation provides for much wider discretion than this—hence the intense lobbying that takes place when reference decisions have to be made.

### Public interest

Some people, in the Labour Party and elsewhere, are now arguing not merely that merger references should be made on grounds other than competition, but that the participants should have to convince the Commission that their proposal is positively in the public interest, rather than, as now, not against it. The implications of this approach are that more mergers would be referred, the staff and resources of the Commission would be substantially enlarged, and the members of the Commission would consider in each case whether the merger was good for industrial efficiency, good for employment, good for exports and so on. It was partly because the Commission was so bad at making this kind of judgment that the present government decided in 1984 to limit merger references as far as possible to competition cases.

The market economy is not perfect. Improvement is needed in the way the City regulates takeovers and in the way investing institutions reach their decisions. There is also a case for examining how the views of employees can be heard in takeovers. But it is hard to believe that continuous bureaucratic vetting of the takeover process would produce better industrial results.

# Wheel turns full circle in Brazil

IN A remarkably short space of time, the wheel has turned full circle in Brazil on the political fortunes of President Sarney and the policies of his economic team.

Less than six months ago, the Sarney Government was riding high on the apparent success of a home-grown economic stabilisation programme which combined a price freeze with high growth and improved wages for the lower paid. Yet now inflation has returned with a vengeance, economic policy is in disarray and the government is facing the very same problems that it sought to resolve with the Cruzado Plan of last February, but with the added aggravation that President Sarney has been weakened.

### Early success

This is a worrying development because Brazil can ill afford to have a weak government at a time when it is still only beginning to establish democratic institutions. In international terms, the implications are of equal concern because Brazil has yet to establish a satisfactory relationship with its international creditors over its huge foreign debt.

The present difficulties are largely the result of the Cruzado Plan's early success and President Sarney's need to establish his political legitimacy after having stepped into office as a result of the untimely death of president-elect Mr Tancredo Neves. All too humanly, President Sarney allowed himself to be seduced by the initial success of the plan, compounding this by the postponement of necessary economic adjustments until after November's congressional elections.

This meant that distortions created by the price freeze and an over-generous indexing of wages, which should have been tackled as early as July, were magnified by the time of the first adjustments late last year. The measures dealing with prices so far have satisfied no one. The business community feels they have been too timid and merely exacerbated inflationary expectations because wages have continued to rise in real terms.

The cabinet is sharply divided between those who believe there must be a gradual, controlled but full relaxation of prices, and others advocating a stop-go approach—unfreezing prices for a limited period before a new freeze. The only agreement is that there should be a "social contract" on wages, removing the politically sensitive mechanism that indexes wages to inflation. However, the trade unions, who are beginning to acquire some muscle now that they are fully legalised to strike, are reluctant to accept such an arrangement without protecting their earning power.

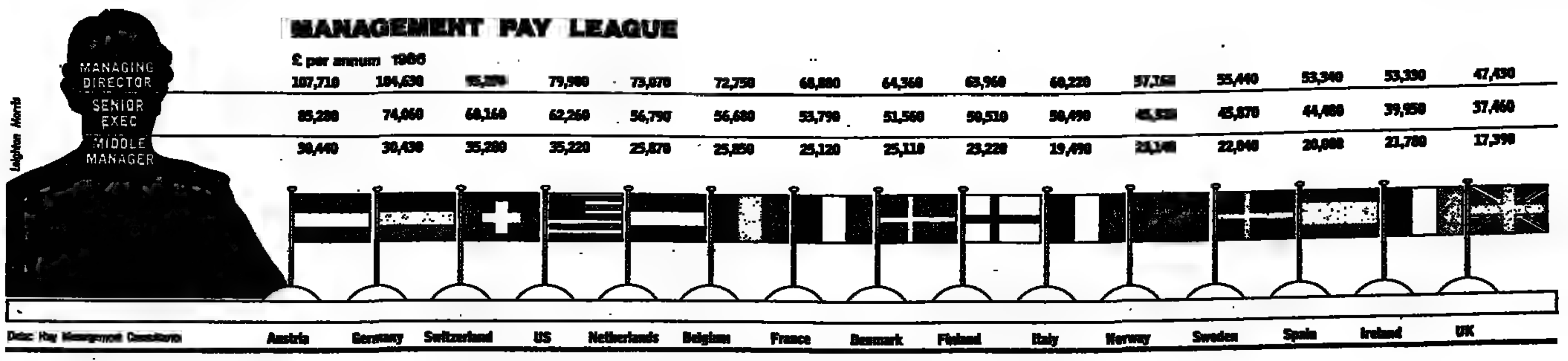
### Tough-minded

The government is also about to have its hands further tied on another front. When the new Congress convenes in March, the state governors are going to be lining up for spending commitments in return for their loyalty, while the mood of the Congress itself promises to be tough-minded on issues like Brazil's dealings with its international creditors and easing curbs on foreign investment.

It is an eloquent commentary on the vagaries of the debt crisis that Brazil should now be foundering and a major preoccupation for bankers when it has traditionally been considered the country with the most diversified and strongest economy.

President Sarney still has sufficient stature to impose his authority. He must take the lead by being willing to drop some of the populist trappings of economic policy and to introduce a new version of the Cruzado Plan that permits more orderly growth, seriously addresses cutting the fat in the public sector, and removes inefficient subsidies like that for wheat. It must also provide a more attractive environment for foreign investment.

Besides that, he must prepare the ground for public acceptance of closer monitoring by the International Monetary Fund, which is liable to be a crucial condition for the international banks' willingness to provide fresh credit and for the Paris Club, meeting this week, to reschedule Brazil's debt. If President Sarney does not act quickly and decisively, he risks becoming even more a hostage to fortune domestically, and internationally he will raise the spectre of an uncertain new phase in the Latin American debt crisis.




UK PERFORMANCE-RELATED PAY

# Now cash is clean again

By Michael Skapinker

"SOME LEAD from the rear and some from the front. I lead from the front. I wave the flag and rally the troops."

Sir Ralph Halpern, chairman of the Burton Group, is in fighting mood. The troops are not only Burton's own managers and employees, but the massed ranks of UK industry. The battle is against the notion that there is something unfair, immoral and un-British about earning a lot of money.

Last year Halpern received over £1m in salary and performance-related payments, sweeping past BOC's Dick Giordano to claim the title of Britain's highest-paid executive.

American-born Giordano is said to have handed over the top spot with relief. Burton's chairman, on the other hand, is unembarrassed by his riches.

In his view, performance-related pay helps to create a culture of enterprise and is, therefore, crucial to the success of the British economy. Last year 24,000 Burton employees received a total of £13.1m under the company's incentive scheme.

Now Sir Ralph Halpern has unveiled his most audacious plan yet: around 80 senior Burton employees, including Halpern, are to be offered performance-related share options worth up to eight times their annual remuneration. This level is double that envisaged by the 1984 Finance Act which means that the recipients will have to pay income tax on profits from the options.

The scheme will have to be approved by shareholders later this month. Some institutional shareholders are reported to be unhappy about the size of the options, but Burton emerged from a meeting yesterday with the National Association of Pension Funds and Association of British Insurers to claim that the institutions were satisfied with the guidelines for the scheme's operation. Nevertheless, Halpern is preparing to send out a furtherf explanation to shareholders.

Doubts about the scheme are shared by Labour's Trade and Industry spokesman, John Smith. "I must say that I think they're overdoing it," he says. Halpern claims, however, that his fellow captains of commerce and industry are behind him. He won't name any names but he says, "a lot of industrialists have phoned me and said 'well done'."

Whatever the fate of this particular Burton scheme, bonus payments and share options, long the norm in North America, have already made their mark in Britain, bringing with them significantly higher pay for British's executives.

Halpern's 1986 pay packet, while the highest so far, has not been the only one to make the news. Giordano's annual salary of around £800,000 is not performance-related, but that of Sir John Harvey-Jones, the outgoing chairman of ICI, is. His pay last year totalled £312,991 on a basic salary of £220,000.

But the move towards bonus incentive payments goes beyond a few celebrated cases. Hay Management Consultants say that 63 per cent of larger UK companies now have incentive schemes, compared to just 24 per cent in 1981. The average payment in executive incentive schemes is now 25 per cent of base salary, up from 11 per cent in 1981.

Performance-related pay is not entirely new to British business. Ken Schwarz, director of remuneration services at management consultants Inbucon, remembers setting up bonus payment schemes in the 1960s.

After that, however, they did drop out of sight, restricted by incomes policies and made less attractive by punishingly high rates of tax for the well-paid. That was the era of companies providing top management with furniture for their homes and even setting up suit and shirt-leasing schemes as a way of providing an extra reward which would not, they hoped, be detected by the tax man.

The Thatcher Government's reduction in top tax rates changed all that. When it comes to rewarding senior management, in the words of one pay consultant, "cash is now clean."

The 1984 Finance Act gave the move towards higher rewards another boost, establishing a framework for companies to offer share option schemes to their employees worth £100,000 or four times annual salary, whichever is greater. Unlike other share option schemes, this one does not have to be offered to all employees. It can be offered to the directors alone. If approved by the Inland Revenue, the holder is not liable for income tax on the exercise of the option or for any subsequent increase in the value of the shares.

Performance-related schemes typically offer bonuses to managers in return for the achievement of certain targets by the company: profits (either before or after tax), return on capital employed or an increase in earnings per share. Some targets are within the remit of one particular manager, such as reducing the level of defects in a product. Helen Murlis, a pay specialist with Peat Marwick, says she has seen a case of a manager being offered a bonus of up to 30 per cent of salary to close a factory within a specified time period.

A good incentive scheme, in Halpern's view, is one which is related to the manager's own area of responsibility. If he heads a division, then his incentive payments should be based on the performance of that division. The scheme, he says, should also encourage the manager to look at the business from the point of view of the shareholder.

The proposed Burton scheme will enable managers to exercise options worth four times their remuneration if the company's real earnings per share growth exceeds 30 per cent within a five-year period. A further four times remuneration will be on offer if the company's cumulative earnings per share growth puts it in the top 25 companies in the FT-SE 100-share index.

Even if these goals are achieved, the exercise of the options can be restricted if the manager fails to achieve the goals set for him personally.


Although the work of staff executives is more difficult to quantify, at Burton they, too, are given individual tasks to achieve. A personnel director, for example, might be set the task of reaching an agreement which rationalises the company's pay scales by a specific date. A financial director might be set the task of introducing a new accounting system. If these goals are achieved on time, the managers would receive their incentive payments, provided that the group as a whole achieved its own target.

Supporters of the trend towards higher pay for good performance—such as Halpern and Sir John Egan, chairman of Jaguar—argue that British executives have a lot of catching up to do.

According to Hay Management Consultants, British managing directors earn less than their counterparts in any other European country except for Spain and Portugal. With an average base salary of £47,430, British managing directors earn almost £6,000 less than their Irish and Spanish equivalents and less than half of what the average managing director in Austria or Germany earns. The total cash remuneration of British managing directors, £50,800, is still behind that of Spain and Ireland.

A survey of directors' pay, published late last year by the Institute of Directors and Reward Regional Surveys argued that spectacular increases in pay were confined to a few celebrated cases. The survey found that the total cash remuneration of British directors had increased by only 12 per cent in the year to September 1986.

"Once you tear yourself away from the big numbers and the banner headlines that greet performance-related payments to charismatic chairmen of very successful companies, the more pragmatic truth of most directors' earnings becomes rather obvious," the report said.

But even if one accepts that British managers are entitled to close the gap with their colleagues in other countries, aren't annual payments of £1m a little excessive? Aren't institutional shareholders and the public at large inevitably going to assume that schemes such as those proposed by Burton are motivated by little more than managerial greed?

"There are at least twenty currency dealers in the City that earn over a million pounds," says Egan. "The fact that we have got one industrialist who earns as much as a snooker player—but not as much as a golf player—is no bad thing."

Halpern and Egan argue that higher pay is essential if talented managers are to be attracted to UK industry, rather than to the City or the US. "You'd be amazed at the number of business leaders in North America who were born in the UK," Egan says. "One of the main reasons for our industrial decline has been poor management. I'm strongly of the opinion that we can bring better people into British industry if we pay them well enough."

"If you want us to work this hard in this competitive economy you've got to give us more for it," Halpern adds. "That applies to every job in the company."

Referring to a recent study which showed that large numbers of younger employees of large companies would like to be running their own businesses, Halpern asks: "Why do young managers want to go somewhere else? Because the reward is 25 years down the road. It took me 25 years to get here. It's too long.

"If I can show that I earn a million pounds then hundreds more will want to get to the top. I want someone who's earning £8,000 a year now to want to get to the top. The guy who doesn't want to get to my level—I'm not particularly concerned about him. I'm interested in those who do. They're the people the country needs. That's the spirit we need in this country."

Labour's John Smith sees much of the thinking behind the performance-related pay argument as being too simplistic. "I think that people work for complex reasons, job satisfaction, for example, not just for money," he says. And more than one consultant who advises companies on the establishment of incentive schemes is prepared to concede that there is no proof that the promise of more money makes managers work any harder.

"Rubbish," says Neil Shaw, chairman of Tate and Lyle. "It makes people think harder about their job. They may say, 'I always work this hard any way.' That's rubbish." Shaw, who is a Canadian, says his colleagues warned him that British managers would not respond to incentive schemes. "I was told in 1981 'this will not mean anything to the fellows. They will not work any harder.' We put it in and we've now got 100-odd people who've made a lot of money. If someone tells me that it doesn't work I say that's rubbish."

Halpern goes even further. "Such words as loyalty and job satisfaction are not relevant any more," he says. "When you have a choice between working for a large company or a small company, in the old days you'd say 'I'd rather work in a large company because it's safer.' When takeovers came along, those days of security went. Now no one in a large company is safe from a predator unless he performs.

"We've replaced the attitude of 'I work for this company for loyalty and a gold watch' to 'I work for this company so I can improve my standard of living and because they reward results'."

But what of the effect of high management pay on the rest of the workforce? In John Smith's view, "it must make the handling of industrial relations very difficult." And he asks, how the Government call on British workers to restrain their pay demands when management is awarding itself increases of this sort?

Halpern thinks hard before answering this question. "It might be true to say the British have the lowest standard ofliving of the developed industrial nations. There's ben an element of catching up over the last few years. I can understand the weakness of allowing wage rises above the level of standing still because there is a lot of catching up to do," he says.

The Government is right to say the economy cannot afford these increases if excessive pay rises are awarded by companies that have not been performing well, he adds. But companies which are making healthy profits should not be criticised for rewarding the workforce along with the management.

"There is no reason why the workforce should not get an increase above the rate of inflation if everyone's pay is related to the profitability of their company," he says. "I see nothing wrong with high rewards for high achievers."

*Additional research by Clay Harris.*

# Men and Matters

## Regnier's financial drive

Peter Regnier, one of the senior executives shaken out of Austin Rover, the state-owned car company, last September following the arrival of Graham Day, has joined Chloride, the battery group, as finance director.

Ironically, he replaces David Hankinson who was headhunted away by Day last October to become finance director of the Rover Group, Austin Rover's parent.

Regnier, aged 41, has been in the motor industry throughout his career so far. He joined Ford as a student apprentice in 1963 and graduated from that company's finance training scheme. In 1969 he joined the Austin Morris part of British Leyland, which later became the Rover Group, and stuck with it through all the vicissitudes which followed.

Sir Michael Edwardes picked Regnier to be BL's group controller in 1979, and Edwardes, of course, has been chairman of Chloride for some time.

However, Regnier says his old bass stayed clear of the recent job negotiations which were mainly conducted with Kent Price, the US-born banker who previously headed Citicorp's UK operation, and who joined Chloride as chief executive in December.

From 1982 onwards, Regnier was director of finance, planning and services for Austin Rover, and as such was one of those closest to the chairman, Harold Musgrove.

Regnier says of his departure from Austin Rover along with Musgrove last year: "It was something of a shock to be told that I would not fit into the new Rover organisation and probably would not feel able to support the new strategy."

Without that incentive from Graham Day, he admits "I would have found it very difficult to leave the car industry."

He sees Chloride as a manufacturing company which just happens to make some products for the motor industry. He expects Price, the new chief executive, to broaden Chloride's product range. "So it will need good, strong financial control and financial management—one of the attractions of joining this company.

## Student bonds

South Korea's university students are nothing if not resourceful. As trials started of more than 400 students accused of involvement in last October's Konkuk university siege, police announced that a group of students had been arrested for trying to raise funds by issuing "revolution bonds."

The bonds, with a face value of 10,000 won (about $115) were to be redeemable "when the task of revolution is finished" at 10 times the original amount, police said. Five students were arrested after 10 revolution bonds were confiscated from other students, and a further 40, alleged to be involved in the fund-raising idea, are being questioned or sought.

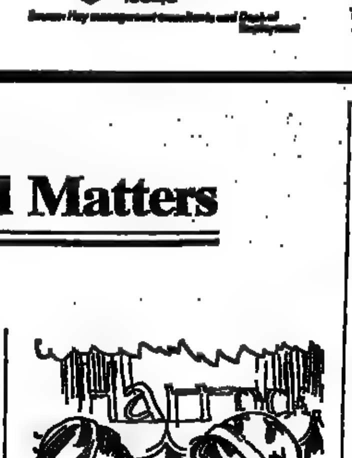
According to the authorities, the students had set up an ideological school for the establishment of a "regime of the masses." The revolution bonds were first detected at about the same time as the occupation of Konkuk university.

Frequent violence on university campuses, however, has not reduced the demand for higher education in South Korea. It is seen as the key to a good career and a comfortable lifestyle.

Competition for places at universities is strong — and as the deadline for registration approached last week, parents were reported to be using walkie-talkie sets and car telephones to get the latest news on the numbers of applicants for particular courses and universities.

Student hopefuls will know whether they have jumped another hurdle to entry this week when results of the annual essay test are released. To weed out the best pupils, universities set essay subjects such as "The benefits of reading," "The problems of equality" or "Imaginative power in scientific research."

Korea's President Chun would no doubt be far happier if students did more reading and less demonstrating against his government. But with brainwaves like the revolution bonds, he seems to have little cause for concern about their powers of imagination.



"Sebastian isn't a merchant banker any more—he's in international 24 hour plumbing now"

## Cat-call

Politics certainly lend variety to life in Venice. Last summer Augusto Salvadori, the city councillor in charge of tourism, roused anger and derision with a campaign to "create order and hygiene" by banning gondoliers from singing O Sole Mio, and turning water cannons on young tourists cluttering the city with sleeping bags.

Now, another Venetian councillar, Rosa Lamanuzzi Carbone, responsible for the "ecology" of the city, is causing a stir.

Declaring that Venice has too many stray cats, she announced plans for a campaign to sterilise as many of the estimated 300,000 feline population as possible.

Carbone side-stepped questions about the innumerable mice, the quarter of a million pigeons, and all the stray dogs which are said to be doing just as much damage to the quality of life along the canals.

She denied vociferously any intent to "hunt down" the cats. She plans a voluntary sterilisation campaign, beginning with a call to cat owners to bring in their pets for treatment, perhaps at San Clemente, a former psychiatric hospital.

The campaign to "stop the proliferation" of cats would be "conducted on a scientific basis," she announced. As for the mice, Carbone said that issue was under review. But she pointed out that "frequently the mice of Venice are bigger and stronger than the cats."

**Observer**

A thick-skinned Catholic and a loquacious Protestant will contest Sunday's election in West Germany. Chancellor Kohl looks like winning.

# Rau — trust and a fairer world

By David Marsh

JOHANNES RAU, the 56-year-old preacher's son, who looks like going down in history as the most likeable, decent politician never to become West German Chancellor, leans back in his railway seat, pushes aside a beer, declines a game of skat, draws on a cigarette and admits: "Ich bin kaputt."

This is not altogether surprising. It is 11 pm on an election campaign train speeding through the snowy Bavarian countryside.

The SPD's challenger to Chancellor Helmut Kohl, Rau has just put on a performance in the east Bavarian town of Bayreuth—not in the Wagnerian opera house, but in a hangar-like public hall. The stark vastness of the meeting place, although bedecked with slogans, crammed with supporters—and echoing to the oomph of a brass band, symbolises the scale of Rau's task on Sunday.

Trailing badly in the opinion polls, Rau is suffering from tiredness, a sore throat and a bad attack of in-fighting and indecisiveness within the SPD.

He says his young wife, whom he married in 1982, worries about his taking antibiotics. Glancing at his watch, he talks of his three children. "At this hour, I used to think of appointments. Now I ask myself: 'Are they all three asleep?'"

The conversation turns to less pleasant topics. Although he does not like the word, he is the underdog. "I want success. I do not want to lose. I do not know what that is," he says. But the chances are that on Sunday, he will find out.

For the fifth time today in as many towns, Rau, on a gruelling tour, has delivered an address promising a fairer world and "a Chancellor you can trust." Prime Minister since 1978 of West Germany's most populous state of North Rhine Westphalia, he combines devout Protestantism and Wesleyian oratorical skills with a penchant for drinking beer and cracking jokes.

He says he would not have minded becoming a pastor. He has a personal touch and a desire for the common good, which reach out and touch audiences like the words of a prophet. But he is firmly out of the New Testament, not the Old.

In turn jocular and intense, sometimes, almost hugging the pulpit-rostrum as he sways with his own rhetoric, he does not so much call down fire and brimstone on sin, but beseech it to stand up, identify itself and leave the room.

His speeches are peppered with biblical imagery and earthy goodness. "Narrative theology," he calls it. "We need not weapons in space but bread for people on earth" . . . "I seek people, friends, companions who are with me."

A lone interrupter at one campaign meeting, who brandishes a pornographic photo beneath Rau's nose, is led away while the candidate urges his audience to be "strong in caring for the sick."

Rau's campaign programme boils down to a plan to distribute prosperity more fairly in one of the richest nations in the world, to maintain peaceful and friendly relations with neighbours, including the Soviet Union, and to repair the environment.

The ideas touch a chord in a country which, strung between present wealth and past moral and economic degradation, is world champion of soul-searching. Rau says he appeals to people's altruistic senses, not to their "instincts." If he were elected, he says would increase taxes on higher-earners, like himself.

But it is an appeal which looks likely to be massively rejected.

A theme of Rau's speeches is that the opinion pollsters have got is wrong. They are pointing to a score for the SPD well below the depressing 38.2 per cent achieved in the last general election, in 1983.

This would be a disastrously long way off the absolute majority, which Rau set himself as a target when he was unanimously nominated as the SPD's candidate for the Chancellorship in December 1985. He was then still buoyed up by a sweeping victory in North Rhine Westphaplia elections.

Rau eschews, with patent sincerity, any question of coalition with the anti-nuclear Greens ecology party. So any score for the SPD which makes it less than the strongest grouping in the Bundestag would automatically mark the end of Rau's Chancellorship trail.

Although he may still be a candidate in Bonn to take over as SPD chairman when Willy Brandt steps down next year, a crushing defeat would send him back to Duesseldorf, seat of the North Rhine Westphalia state government, as a loser for the first time.

For a man who just a year ago looked ready to take over from a fumbling and ineffective Kohl, a great deal has gone wrong in a short space of time.

In a country which dislikes political experiments, and which has profited from four years of economic recovery, Rau has been hit by the voters' realisation that he is strong on goals but short on policies—and that the badly divided SPD is in no position to muster a credible government team.

By campaigning so strongly on help for the aged, the unemployed and the needy, Rau has, according to one leading SPD deputy, helped turn it into "the party of the downtrodden"—contrasting with the marketing of the CDU as the party of success.

He talks passionately of West Germany's need to become the world leader in environmental technology. "We must export filters, desulphurication plants, not tanks and U-boats," he calls out from the rostrum. But he is deliberately vague on the SPD's plan to close nuclear power stations in 10 years' time, saying the main short-term priority is to change the focus of nuclear research.

Far from trying to make it a campaign issue, he was not very interested in the recent D-Mark revaluation crisis, saying it concerned only "businessmen in export departments." Likewise, he made no effort to turn to political advantage the latest rise in West German unemployment figures.

He advances objectives like social justs without always paying attention to how to achieve it.

In a sense, Rau's resolution and moral conservatism have been his undoing. His unbending refusal to countenance any alliance with the Greens — whose popularity has increased considerably since the Chernobyl nuclear accident—has lost him support within sections of the SPD who accuse him of throwing away the chance of a return to power.

A politician who has worked his way up from humble beginnings in the dour Ruhr coal-mining town of Wuppertal, becoming the youngest member of the state parliament in 1958, Rau has known his share of wheeling and dealing.

But his 1950s political roots in the Christian-pacifist German People's Party, formed under Mr Gustav Heinemann, who later became federal President, have always made Rau something of an outsider in his own party.

His sense of other-worldlines and his occasional near-disdain for the political game have irritated those in the SPD, such as Brandt, who would prefer the challenger to show more stomach for a fight.

The campaign train meanwhile ploughs on into the night. Rau is sleeping in a VIP carriage built for the use of Hitler's (subsequently executed) Foreign Minister Joachim von Ribbentrop. Fate will certainly be kinder to Rau — at least, after Sunday, he can return to his family for a well earned rest.

# Kohl—for family and fatherland

By Peter Bruce

QUITE WHEN people began to make fun of Helmut Kohl is hard to say. Nowadays, it is an industry. There are books of jokes about Kohl and books of Kohl quotations. Comedians make money copying his thick provincial accent.

But the people—including a few members of his own party—who thought he could be laughed out of office, now know that they have badly underestimated him.

After the snooty, hectoring Chancellorship of Helmut Schmidt, Kohl's has come as an enormous relief to most West Germans, who sense an absence of arrogance. He has snuggled his way, to drawing his party with him, into the centreground of West German politics—from which all power in the country stems. He will not easily be moved.

Helmut Josef Michael Kohl was born to modest parents in Ludwigshafen on April 3 1930. He used to cultivate silkworms and this led to his first important brush with bad luck.

The Nazi authorities were in the market for silk cocoons and offering 20 Reichmark per kilo, a small fortune to a 13-year-old. He and a friend badly wanted to buy a boat and for months they struggled out of bed at daybreak to collect mulberry leaves to feed the worms. Finally, they had enough cocoons, but on the night before they planned to buy the boat an Allied pilot loosed a firebomb over Ludwigshafen. It landed on the boathouse, taking with it the coveted craft.

Kohl learned to hate the war. He lost his only brother, Walter, to the invading Allies in 1944.

He had little time, too, for the kind of values that had helped to start it. A former classmate recalls that, after the war, a demobilised teacher walked into the classroom of which Kohl was now "captain." Being wholly unreconstructed, even in defeat, the ramrod teacher screamed at the class to stand up to greet him, whereupon Kohl unwound his considerable length from his desk, walked up to the new arrival and, standing over him, quietly but firmly told him not to be so rude: this was a democracy now. The teacher apologised.

Chancellor Kohl is still virtually impossible to bully. He stands more than six feet tall and weighs, though it worries him, more than 200 lbs. Some Americans say he reminds them of Lyndon Johnson. Blessed with the skin of an elephant, he often deals with unwelcome difficulties by ignoring them. He is not particularly comfortable in public and tends to barge about in a crowd without really looking at people.

At 56, he looks nothing like the handsome, dark-haired 17-year-old who went into politics in 1946. Being Catholic, he turned down the Social Democrats (SPD) and joined the Christian Democrats (CDU) instead. He quickly immersed himself in the party and has done little else of note.

Almost. After earning the lowest mathematics mark recorded in his home state of Rhineland Palatinate, he went on to distinguish himself as a student of history (during which time he met his wife Hannalore) at the universities of Frankfurt and Heidelberg. That took up most of the fifties.

"I am," he maintains today, "a generalist, not a specialist." He makes a virtue of it. He has little time for ideology or detail. As he campaigns, his message is that "the Americans are our friends," that authority has to be restored to the family, that children be cherished (and there should be more of them), that the police and military are guarantors of peace and freedom.

Kohl is not trying to be cute. He calls himself Adeneuer's grandson, but his politics are really an extension of what he learned at home. The perfect, disciplined party man, he is Chancellor because he put his head down in 1946, did dozens of minor party jobs and did not look up until he became the Premier of the Rhineland Palatinate in 1969. At 39, he was the youngest ever leader of a West German state.

In 1971 he ran for the party leadership and lost heavily. But he knew about bad luck and simply tried again in 1973, when he won. He just lost a general election against Schmidt in 1976 and was forced to let Franz Josef Strauss, the Bavarian leader and chief of the CDU's Bavarian sister party, the CSU, try in 1980. Strauss did badly, so when Schmidt's 13-year coalition with the liberal Free Democrats (FDP) ended in 1982, Kohl was there to pick up the reins.

He called elections for early 1983 and was swept to power (with the liberals in tow) promising to make fundamental changes to a West Germany he saw as ravaged by SPD misrule. He called his election *Die Wende*, the turning, but people who expected Thatcherite or Reaganite economic policies have come away disappointed.

Die Wende has made more impact upon national morale than the structure of the economy, where Kohl's attempt to regain ground lost to the Left in most German institutions during 13 years of SPD rule has had little practical effect.

But the Chancellor's determination that Germany and Germans should stand tall again without having constantly to apologise for the war is set in concrete. He says he was 15 when the war ended, that what the Nazis did was disgusting, but that it had nothing to do with him. In 1985 he more or less forced US President Ronald Reagan, whom he deeply admires, to visit a German war cementery at Bitburg with him, although there were some SS dead in it.

Having got away with the Bitburg visit, Kohl seems to have raced ahead to set down other markers. He talks of the Jews being killed "in the name of Germany" but never, it seems, by Germans. Goebbels, the Nazi propaganda chief, becomes a "public relations expert." Today in East Germany, people are being kept in "concentration camps." West Germany he insists, was the Vaterland before Hitler and remains that, to most Germans today.

He has indirectly stimulated a historical revision. Some historians now argue, for instance, that German troops who fought the invading Russians on the Eastern Front at the end of the war were national heroes, whose defeat resulted in the division of Germany. Nazi crimes were not unique — Stalin killed millions and so did Pol Pot. Nazism can be explained, they argue, as a response to Stalinism.

Kohl may never hear complaints. He sees a great deal of the world through a tight circle of friends and advisors—among them Heiner Geissler, the CDU secretary general, Horst Teltschik, a sort of national security advisor and his powerful secretary, Juliana Weber.

They are very protective of him, a quality he expects from the rest of the CDU/CSU. Punishment for lack of loyalty can be swift. Herbert Hupka, a proud and apparently influential CDU MP, crossed Kohl publicly and suddenly found last summer that his constituency had decided on another candidate.

Only one party colleague regularly criticises Kohl in public and that is Strauss, usually from the safety of Munich. Kohl does not like him much and were it ever possible to be rid of Strauss, he would do it. This may take time. Luckily for Kohl, he appears to have plenty of it.

# Letters to the Editor

## Measures of performance

*From Mr D. Allison*

Sir,—As an institutional investor of some 35 years of experience I am naturally saddened to see how fund managers are being accused of being interested in short term profits at the expense of long term investment. The accusation, made by politicians, industrialists and academics, is justified, but none make much attempt to discover the reasons for this deplorable state.

At the outset, all my contemporaries experienced the policy of using high rates of direct taxation to redistribute incomes and the effect this had on personal savings. This was offset by the allowances permitted on contractual savings, and for many years in the late 1940s and 1950s life insurance premiums, pension fund contributions and the retained earnings of companies made up the whole of the personal sector's net savings. This concentration in investment direction was by no means desirable but institutional fund management had to grow as a result.

As this growth gave rise to competition between managers there emerged a new industry of "performance" measurement which based itself on a simple combination of income and market value changes over a short period. Performance is usually measured against the achievement of an objective and there are areas of investment management whose objectives are such that this simple measurement of "performance" is correctly applicable.

But where the objectives of investment are longer term, as in much of life insurance and in all pension funds, this measurement of fund management on inappropriate criteria has led to our present position. The measurement industry, having failed to create the proper yardstick and without any credible measurement of risk, turns to ephemeral market values as the cornerstone of its assertions. The trustees of pension funds are often led thereby into judgments which in other circumstances and with other responsibilities the same individuals would excoriate. And the fund managers are too fearful to argue. So, given that there are several groups whose immediate interest is served by the continuance of short term premises and in the turnover of securities, the wagon continues to roll.

What is sad is that we raised our voices nearly 20 years ago both as to the economic effects of this erroneous short term measurement fashion, and to the damage it would cause to the reputation of the City.

Serious attempts have been made to encourage the creation of a management measure more appropriate to the aims of the long term investor.

Long term City investors should bestir themselves to throw away the baggage of short term performance measurement, devise an appropriate yardstick for outsiders to measure good and bad fund managers and revert to their proper task of investing for the good of their beneficiaries over the long term of their responsibilities.

D. S. Allison.
*Rookery Cottage,*
*Winchelsea, Sussex.*

## Non-executive directors

*From Mr W. Baker*

Sir,—The repercussions from the Guinness affair are clearly myriad. David Lascelles (January 15) reports an early reaction from the Bank of England which is to press for new measures to prevent chief executives of public companies from concentrating too much power in their own hands. The bank's aim is evidently to put pressure on companies to appoint more non-executive directors to their boards.

While the bank is thinking along the right lines, more non-executive directors at Guinness would hardly seem to have been the answer. Prior to the Distillers takeover there were, out of a board of 12 members, eight who were either non-executive or family members. Four additional non-executive directors were then appointed after the Sir Thomas Risk affair, of whom only one — it has been reported — has been really active in bringing recent matters to a head.

In my opinion the vital issues for the Bank of England to consider on a broad front are who non-executives should be, by whom they should be appointed, and precisely what their terms of reference need to be. If, for example, as sometimes occurs, non-executive directors are appointed by either the chairman or chief executive, then the effect of their presence on the board is to strengthen rather than weaken the position of that chairman or chief executive.

There is also the question of the ability and commitment of the non-executive director. If such a director is on a board essentially to present a good image to the City or elsewhere, he may not necessarily be the right man to ask incisive questions or to feel he has the appropriate freedom of action. One may, therefore, suggest that the Bank of England in pressing generally for the appointment of more non-executive directors, does at the same time address itself to the equally important subjects of not only who non-executive directors should be, and whom they should represent, but also where their true loyalties and responsibilities should lie. No doubt the Bank's embryonic code of practice will seek to lay down guidelines to these and other vital questions. Certainly the sooner such a code is in place the better it will be for investors in public companies.

William J. Baker.
*Northmead House,*
*Blackpond Lane,*
*Farnham Common, Bucks*

## Self regulation or surveillance

*From Mr D. Symington*

Sir,—The article by David Lascelles (January 16) brings to the fore the effectiveness of the system of self regulation now in process of installation. The Guinness affair will present it with an acid test of its worth with unwelcome promptitude.

If it is proved by the DTI investigation that UK merchant banks and or stockbrokers participated in, or connived at the illegal use of Guinness funds to deceive and defraud the shareholders of Distillers, are the guilty parties "fit and proper" to conduct investment businesses? I suggest that if they are allowed by the self regulatory organisations to which they must belong, to continue their investment businesses, the whole apparatus of self regulation will be discredited and the pressure for direct government surveillance will become irresistible.

The latter is not an attractive prospect but unless the SROs can demonstrate that they are prepared to take the necessary action it will be imposed.

D. A. Symington.
*17 Ross Court,*
*Putney Hill, SW15.*

## Impoverishing the language

*From Mr G. Hallett*

Sir,—You argue (January 16) that "the commitment to economic co-operation — will have to strengthen if the EMS is to lead to greater things." I agree with your conclusion, but I am appalled that the use of transitive verbs as intransitive ones has now reached your leader columns. On the same topic, I note that a correspondent writes (January 16): "Taxes at the top rate have reduced from 98 to 60 per cent . . ."

I would suggest that "be strengthened" (if that is what you mean) and "been reduced" (or "been cut") respectively would be more grammatical, and that grammar is important. If one says that "economic co-operation must be strengthened," this implies that someone has to do the strengthening. If one says, for example, that "economic co-operation must become stronger," this suggests that the process may occur by itself.

Unfortunately, grammatical distinctions like that between transitive and intransitive verbs have not been taught in most schools for a generation. Indeed, many teachers of English have sold the pass, arguing that language has to change. True, but there is a difference between a new use, designed to express a new meaning, and a careless use, based on an ignorance of established usage, which impoverishes the language. Many useful meanings have been, or are about to be, lost in this way. It is now barely possible to use "infer," because it has been so often confused with "imply."

Orwell prophesied in "1984" that an impoverishment of the language would lead to an impoverishment of political thought. Was he wrong?

Graham Hallett.
*University College,*
*PO Box 78, Cardiff.*

## Unemployed candidates

*From Mr P. Leventhall*

Sir,—So Keith Tunstall (January 15) will not even consider unemployed applicants irrespective of their "basic abilities or competence" because they are "so anxious for the job that they appear to lack toughness and relaxed confidence."

Well, well, I thought that the main, if not the only, service offered by a recruitment specialist was to sift through the applicants to find the reality hidden behind the anxious facade. I find it incredible that a large section of potentially good recruits is written off so lightly.

Perhaps there are messages here both for the anxious applicant and the anxious employer. A little DIY can be rewarding.

P. E. Leventhall.
*16 Sundown Avenue,*
*Sanderstead, Croydon,*
*Surrey.*

FINANCIAL TIMES

Tuesday January 20 1987



# Paribas toasts success of overseas offering

By George Graham in Paris

THE GRAND party at the Paris opera last night turned into an early celebration for its hosts, the French banking group Paribas.

The party was intended to mark the opening of Paribas' offer for sale, the second in the French Government's privatisation programme, but already the group was able to toast the success at least of the international offering without fear of tempting fate.

By lunchtime yesterday, the first day of the offer, the international share offering of 13.5 per cent of Paribas' capital was considerably oversubscribed worldwide.

French bank branches reported a brisk response yesterday in Paris to the offer, which closes on January 31. Paribas shares are being sold at FFr 405 ($65) and will be quoted for the first time on the Paris bourse on February 12.

The international offering is being handled by Paribas' London subsidiary, Banque Paribas capital markets, and by Merrill Lynch, which now face the difficult task of scaling down orders from would-be investors.

The privatisation last month of St Gobain, the glass and packaging group, was also heavily oversubscribed. The overseas subscription lists were filled in 48 hours and the public offer in France was 14 times oversubscribed.

Mr Edouard Balladur, the French Finance Minister, exercised his clawback rights in full and reduced the amount sold abroad from 20 to 18 per cent of the offer, in order to provide more shares for the domestic offering.

Overseas investors are already anxious that the same clawback rights may be used again with Paribas and the 6.3m shares currently on offer abroad be cut back.

# $ falls further despite moves to halt slide

Continued from Page 1

bank, last month firmly ruled out a reduction ahead of or just after the vote.

The sharp fall in West German share prices yesterday came as investors showed mounting concern over the effect on German exports of the dollar's continued rapid slide, and the selling is expected to continue.

Although leading pollsters are predicting a comfortable victory for the centre-right coalition of Mr Helmut Kohl, its handling of the economy is being called more and more into question. A leading Munich-based bank, Bayerische Hypotheken- und Wechsel-Bank said in a report that the growth forces in the West German economy had passed their peak.

Set against the claims of West German industry is the Bundesbank's desire to control the central bank money stock which is growing well above target, a problem exacerbated by intervention to support the dollar. It seems likely that the arguments at Thursday's Bundesbank council meeting will be finely poised.

Sterling rose sharply against the weak dollar to end in London at $1.5340 compared with Friday's closing $1.5160, but its trade weighted index finished unchanged at 69.0 as it continued to weaken against Continental currencies.

UK money-market interest rates eased somewhat in response to sterling's rise against the dollar but this enthusiasm was not shared by equities and gilts. The FT-SE 100 share index closed 10.6 lower at 1778.4 and the FT Ordinary index was down 6.0 at 1397.0 UK Government bond prices were about ½ point lower at the close.

# Criticism of UK minister grows over BTR merger

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MR Paul Channon, the UK Trade and Industry Secretary, is being kept out of a major House of Commons debate on the economy and industry today, despite an opposition Labour Party attack referring to his decision last week not to refer the BTR bid for Pilkington:, the glassmaker, to the Monopolies and Mergers Commission.

The Government intends to mount a vigorous defence of its policies on the monitoring of mergers and the regulation of City of London financial markets. There are, however, widespread worries on the Conservative as well as the Labour side of the House over the BTR-Pilkington bid. Some ministers have even publicly hinted at the desirability of preserving the glassmaker's independence. Pilkington yesterday fell 15p to 695p; BTR lost 4p to 289p.

Affairs in City of London's financial markets have now become a major political issue and the Labour leadership is seeking to exploit what it sees as the vulnerability of Mr Channon. He has not only been criticised for his handling of the latest bid but has also had to distance himself from public comment on the Guinness affair because of his family links with the company.

Labour's motion for its debate today highlights criticism of "a destructive merger mania to imperil British manufacturing industry" as typified by Mr Channon's "lamentable decision" on BTR/Pilkingtons. Labour's Mr John Smith, Trade and Industry spokesman, and Mr Roy Hattersley, the party's Treasury Affairs spokesman, are scheduled to speak.

However, despite the criticism of Mr Channon, the Government last night had no intention of changing its speakers for the debate: Mr Nigel Lawson, the Chancellor of the Exchequer, and Mr Kenneth Clarke, the Paymaster General, and main employment spokesman in the House of Commons.

Ministers say these speakers were chosen before the debate was put off from its original date of last Wednesday and that there is no need for Mr Channon to be involved.

However, it is clear that Mr Channon is being deliberately kept out of the firing line as far as possible in view of his perceived vulnerability, even though there is no doubt at present that he will remain in his present position up to the election.

Ministers are determined to counterattack on the substance of these issues and there is likely to be a change of presentation. Some ministers are concerned that references to self-regulation are misleading because they maintain that the proposed system of regulation is in some ways tougher than in the US.

However, on the BTR/Pilkingtons affair, the Government is certain to face considerable criticism from its own side of the Commons from, among others Mr Michael Heseltine, the former Defence Secretary.

In the House of Commons yesterday the doubts of many ministers were reflected in the comments of Mr Nicholas Edwards, the Welsh Secretary, during questions. While endorsing Mr Channon's decision not to refer the bid, Mr Edwards said he was sure that Pilkington's outstanding performance on research and development, its long-term record and its prospects should be "high in the minds of those who take the decision."

The Government confirmed yesterday that ministers were considering an amendment to the Criminal Justice Bill which would increase the maximum jail sentence for insider dealing from two to seven years.

The move has been considered for some time and while it was welcomed yesterday by many Conservative MPs Mr Robin Cook, Labour's Trade Spokesman, was more sceptical.

# Toshiba to make megabit chip in Europe

By Terry Dodsworth in London

TOSHIBA, the Japanese electronics group, is starting large-volume European assembly of the latest generation of high-powered semiconductor memory products such as are used in a wide range of domestic and other equipment. The move is expected to give it an early lead in the marketplace.

Production of one megabit chips, semiconductors with four times the power of the previous generation of products, is beginning this month at the group's plant in Braunschweig, West Germany. Output is expected to be about 100,000 chips a month when fully on stream.

Toshiba's pre-emptive drive into Europe with its one megabit product line reflects the growing presence of Japanese semiconductor manufacturers in the region. Its decision follows a recent move by NEC, the Japanese group which recently became the world's largest semiconductor producer, to expand its assembly operation at Livingston, Scotland, into a full-scale fabrication unit.

Toshiba has not yet installed fabrication lines at its Brunswick facility, choosing instead to import components for local assembly and testing. In that respect it is lagging behind Siemens of West Germany, the only European producer of one megabit memory chips, which has begun fabrication on a small-scale test basis.

Analysts do not expect Siemens to seek to be the leading volume producer in that field, and foresee Toshiba grasping a strong position.

The first manufacturer into the market with a new generation chip is able to exert considerable influence over the design of user products, thus building up a strong base of customers who are not easily diverted to other brands.

The company ranks third in the world's semiconductor production league, and has impressed competitors by coming from behind over the past few years to challenge better-established semiconductor groups.

After developing its new product designs, it has formed alliances with overseas manufacturers, notably Motorola in the US and Siemens. The West German group licensed Toshiba technology to help with the design of its one megabit chip.

One megabit products will steadily take over from 256K memories over the next few years.

Several international competitors, however, have products that could be introduced in their European facilities, including Texas Instruments of the US and NEC and Hitachi of Japan. NEC is expected to launch one megabit fabrication at its Scottish plant within a year or so after bringing the facility on stream with 256K products.

According to Dataquest, the market research group, the one megabit semiconductor market in Europe is expected to be quite modest this year, at around 3m units against 80m pieces of 256K memories. However, Dataquest believes that sales will jump in 1988 to 20m, and will reach 60m a year by 1990.

# UK company secretaries may take on the role of watchdog

BY RICHARD TOMKINS IN LONDON

THE COMPANY secretaries of every publicly quoted group in the UK could take on the role of corporate compliance officers under proposals about to be considered by their main representative body.

The Institute of Chartered Secretaries and Administrators, which is the principal qualifying body for the profession in Britain, has responded to the Guinness affair by drawing up plans for a radical change in the company secretary's role.

Instead of acting only in an advisory capacity in legal matters affecting the company, the secretary would take on an important watchdog role in monitoring agreements entered into by the board.

The proposals suggest that the secretary's authorisation should be required on any contract outside the ordinary course of a company's business to prevent members of the board entering into such undertakings without his or her authority.

The independence of company secretaries would be protected by a provision that they could only be appointed or removed by a meeting of the shareholders – in much the same way as auditors. Unlike auditors, however, they would be acting to prevent abuses in advance rather than trying to detect them after they had occurred.

Mr Barry Barker, chief executive of the Institute, said existing legislation did not define who could sign contracts on behalf of a company, so it was possible for directors to act without the company secretary's knowledge or consent.

"Most companies run on the basis of faith and trust between the board and the company secretary, but the pressure on companies to produce results means that we are moving into a time when this gentlemanly way of going on just isn't good enough."

The proposals will be considered by the Institute's law and professional services committee on Wednesday, and, if approved, will be sent on to Mr Michael Howard, the consumer and corporate affairs minister.

# EEC, US 'far apart' over grain

BY QUENTIN PEEL IN BRUSSELS

NEGOTIATORS in the trade dispute between the US and EEC yesterday warned that the two sides remain far apart on the key issue under discussion – compensation for lost US maize sales to Spain.

Officials on both sides expressed extreme caution on the prospects for agreement by the end of the week, after they relaunched negotiations in Geneva on Sunday.

More than seven hours of talks were held on Sunday, followed by a working dinner, and a working breakfast yesterday.

Mr Alan Woods, the US deputy trade representative, told reporters: "We remain wide apart on matters of substance. They are very difficult negotiations." EEC officials, meanwhile, characterised the talks variously as sober and constructive, and "very difficult."

It is understood that the talks focused primarily on the issues other than maize itself – possible other forms of compensation on agricultural and industrial products, and detailed texts – leaving the central question to be resolved at the highest level at the end of the week.

On Friday, Mr Frans Andriessen, the European Agriculture Commissioner, and Mr Willy De Clerq, the Commissioner for External Trade, will be in Washington for final talks with Mr Clayton Yeutter, the US special trade representative.

The US has called for the EEC to import at least 4m tonnes of maize and other feedgrain from all external suppliers each year, of which between 2.8m tonnes and 3m tonnes might be supplied by the US.

The community is so far only prepared to accept 1.8m tonnes from outside, of which a maximum 1.2m tonnes might come from American farmers.

Washington claims it is losing some $400m in maize and sorghum sales because of Spain's EEC membership, and is seeking compensation under the rules of the General Agreement on Tariffs and Trade.

Both sides have threatened retaliation and counter-retaliation if no agreement is reached by the end of the month.

# Iraqis flee Basra as Iran maintains offensive

Continued from Page 1

The Government in Kuwait believes the Iranian offensive was in part timed to disrupt the summit, which is scheduled to have the Gulf War at the top of its agenda. Iran has said it will boycott the meeting, describing Kuwait as "an unfit host" because of its financial and logistical support for Iraq.

Many heads of state may be questioning the wisdom of flying into an airport only 50 miles (80 km) from the war front. Security in Kuwait has been intensified and senior officials say they are confident they can cope with any threats, including those from Islamic Jihad, which is holding Western hostages in Lebanon.

Western military experts have meanwhile again become concerned about the deployment of the Iraqi air force. Instead of pitching the full force of its air superiority against Iranian troop concentrations near the battle front and primary supply lines, Iraq has continued attacks on Iranian cities and other targets of less immediate relevance to the battle for Basra.

Arab diplomats have voiced the fear that the change in tactics was forced on Iraq by the enhancement of Iran's missile screen near Basra.

If the fighting does go badly for Iraq there is no doubt that it and many of its Arab supporters will seek to place a large part of the blame on the US.

However, there is also an assumption among some of the ruling families in the Gulf that the US would be bound to intervene militarily against Iran if it appeared that Iraq was close to being overwhelmed, or if a third country, such as Kuwait, was militarily threatened.

Richard Johns writes: Iranian forces have not advanced beyond the southern tip of Fish Lake, according to Western intelligence officials. The attackers have yet to reach the earthworks forming the main fortifications defending the approaches to Basra.

Acute anxiety in Baghdad about the continuation of the offensive and the shelling of Basra was indicated, however, by the fact that President Saddam Hussein on Sunday night presided over a joint meeting of the Revolutionary Command Council and Regional Command (the supreme national political body). It was his second major review of the war in two days following a 10-hour session on Sunday

# World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 11 | 52 | Dubrovnik | C | 10 | 50 | Malta | S | 15 | 59 | Rhodes | S | 18 | 64 |
| Algiers | F | 14 | 57 | Edinburgh | C | 3 | 37 | Manchester | C | -1 | 30 | Rio de J'o | C | 32 | 90 |
| Amsterdam | Sn | -5 | 23 | Faro | S | 14 | 57 | Manila | S | 31 | 88 | Rome | S | 12 | 54 |
| Athens | S | 15 | 59 | Florence | C | 7 | 45 | Melbourne | S | 19 | 66 | Salzburg | C | -3 | 27 |
| Bahrain | S | 19 | 66 | Frankfurt | C | -5 | 23 | Mexico City | S | 26 | 79 | San Francisco | S | 16 | 61 |
| Bangkok | S | 32 | 90 | Funchal | F | 17 | 63 | Miami | C | 26 | 79 | Seoul | S | -1 | 30 |
| Barcelona | S | 7 | 45 | Geneva | C | -3 | 27 | Milan | C | 4 | 39 | Singapore | F | 29 | 84 |
| Beirut | S | 24 | 75 | Gibraltar | S | 14 | 57 | Montreal | Sn | -11 | 12 | Stockholm | C | -8 | 18 |
| [illegible] | [illegible] | [illegible] | [illegible] | Glasgow | [illegible] | [illegible] | [illegible] | Moscow | Sn | -5 | 23 | Strasbourg | Sn | -6 | 21 |

Readings are mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Senior Chinese officials await fate

Continued from Page 1

gest that there is a conservative group pushing ideological issues and a reformist group comprising those in favour of both economic and political reform, and those in favour of economic reform, but less certain about political reform.

Wan has acted as Premier in the absence of Zhao Ziyang, who has assumed Hu Yaobang's duties, and in other circumstances would be the natural selection as a stop-gap Premier. In the past, Deng has told visiting dignitaries that Wan Li's work in agricultural reform is a model for the country, so the present clash highlights the split in the reformist group, a split that conservative officials are trying to exploit, diplomats say.

Wan Li, a former governor of Anhui province, in the east, was associated with the outspoken astrophysicist, Fang Lizhi, who, until last week, was the vice president of Anhui's science and technology university.

During a visit to the university in late November, before the wave of student protests, Wan apparently warned the professor not to cross the party line, yet he continued to criticise the party and openly supported the first student protest in Hefei, the capital of Anhui.

The professor was formally expelled from the Communist Party yesterday for "inciting" intellectuals and advocating "total Westernisation." A party circular said Fang was no longer eligible to be a party member because he said that "Marxism has completed its historical mission," and "so-called Marxist guidance could only lead to erroneous results."

It is understood that the professor's willingness to continue commenting in public, despite Wan Li's warning, was one of the grounds for Deng's criticism of the Vice Premier, who he thought had not been tough enough. A party directive reported in the Hong Kong press, and said to have been released in early January showed Deng was willing to "shed some blood" in handling protesting students, which contrasts markedly with the tolerance shown during the December demonstrations.

## THE LEX COLUMN

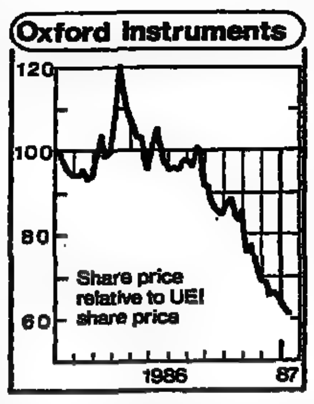
# Parsimonious with facts

Having persuaded the gilt-edged market that the monthly sterling M3 figures are hardly worth the effort of forecasting them, the authorities seem to be attempting the same trick with the PSBR numbers. The first step towards that end is to publish figures so wildly different from expectations that the market is wrongfooted.

Yesterday's news on the December PSBR showed a net repayment of £1.2bn. Joy abounded and gilts surged. But those economists quickest on the phone to the Treasury soon learnt of two "special factors", not mentioned in the press release, which boosted the repayment figure by about £1¼bn, suggesting that the underlying out-turn was just about flat. Those with slower direct-dialling devices, or simply having difficulty remembering the Treasury number, must have wondered why gilt prices went into reverse almost as suddenly. Arguably, the Treasury's incomplete briefing allowed a false market in gilts to be created, however temporarily, which must have helped the Bank of England to sell stock. Any company which did the same with a set of results would quickly find itself on the wrong side of its shareholders.

The next stage in the disenchantment strategy may be to allow the undershoot for the year to be rather less than now looks likely – just by shifting some inflow over the edge of the year. The PSBR cumulative total for the financial year stands at £4.5bn with only three months to go and those generally the best. Yet forecasts of a £1bn or £2bn undershoot of the £7.1bn target may prove too optimistic. Even so, the market should be able to convince itself that there is something under the belt for a lower target in 1987–88 plus tax cuts.

But the gilt market had more to worry about yesterday than the PSBR. Sterling's stability on a trade-weighted basis concealed a fall against the D-Mark, although less than the gain on the dollar. Hopes of a cut in West German interest rates before the elections seem fanciful, so an early UK rate cut must be unlikely. Cold weather may keep the oil price up for a while, but the end of the restocking season approaches and any weakness could set off another sterling fall. As the election nears, the Tory lead in the opinion polls looks more like a margin of error so the market ought to discount at least the chances of a much reduced majority. Yields of 10 per cent are probably discounting quite enough for the time being.




## UEI/Oxford

UEI has never made any secret of the fact that it wants to grow into a big company as fast as possible, but will have some explaining to do on Thursday when it is due to reveal details of its chosen means – a merger with its near neighbour Oxford Instruments. Indeed, the UEI management may have to lean heavily on its 40 per cent stake in the company to push through the agreed deal.

Oxford's street credibility was badly dented by the disappointing interims, and behind its 85 to 90 per cent market share in superconducting magnets for scanners lurks an unattractive prospect of saturation and strengthening competition; consequently, its multiple is no longer high enough to bolster its momentum with acquisitions. UEI, on the other hand, is sailing along on a multiple close to 20 (compared with Oxford at 14) and its recent acquisition of Solid State Logic has the market looking for a potentially worldbeating combination of audio and video broadcasting technology.

It is easy to see why so much cold water is being poured on the idea, as yet unargued, of product overlap. Unless a combined UEI/Oxford is prepared to risk treading on the toes of major customers like GE, Siemens and Toshiba it is hardly likely to start manufacturing whole scanners.

Nevertheless, there is some shared technology to exploit, enlarging the opportunities in medical and analytical instrumentation and, for the longer-term, in semi-conductor tools. Similarly Oxford continues to be unfairly regarded as a one-product company with, in fact, less than half group profits now coming from the scanner magnets. While UEI might be taking on more than its fair share of the risk it will also be buying Oxford's earnings at an inexpensive moment. The bigger question mark hangs over the marriage of two management teams with markedly different styles.

## Computers

How nice it is, at the moment, not to be president of IBM, whose stock price has been sliding back to where it was in 1983, when the Dow was barely half its present level. As IBM readies itself for today's announcement that it experienced a fall of perhaps $1bn in net income last year – and for the first time thinks seriously about cutting back its labour force – other parts of the computer industry have been enjoying a period of something that looks suspiciously like growth. While the cat is away learning about retrenchment, some of the mice have been playing happily at making money in selected areas of the market, as a clutch of their quarterly figures showed yesterday.

Tandem, the specialist in fault-tolerant systems, more than doubled its earnings for the last quarter, thanks largely to the success of new networking products; the shares were up the best part of 15 per cent yesterday. In a less exalted segment – cheap IBM personal computer clones – Tandy was also able to show serious gains; market share appears closing rapidly on the 20 per cent held by IBM, and net income for the last quarter was up by a fifth.

On a slightly broader front, NCR is also showing up well, increasing earnings, and reducing debt despite a $240m share repurchase programme. It is impossible even for IBM to hunt down all these competitors at once; but if they are doing so well, investors may soon start to reason that IBM will once again do better before long.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday January 20 1987



# US computer groups show strong advance

BY ANATOLE KALETSKY IN NEW YORK

SEVERAL LEADING US computer manufacturers reported good results yesterday, reinforcing the recent bullish reappraisal of high-tech stocks on Wall Street.

NCR and Tandy Corporation both enjoyed increasing sales and significant earnings growth, while Tandem Computers, a specialised manufacturer of fault-tolerant minicomputer systems, announced spectacularly higher sales and profits.

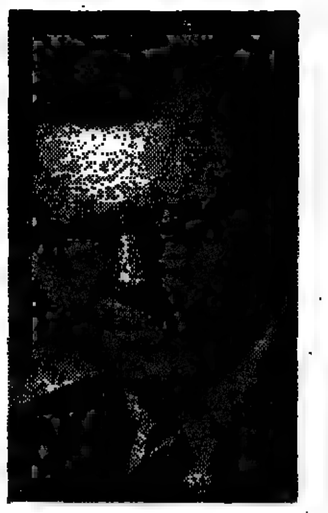
NCR, one of the five major US manufacturers of mainframe computers, announced net profits of \$134.1m in the fourth quarter and \$336.5m for 1986 as a whole.

The fourth quarter's result, which was negatively affected by year-end tax changes, was up only 1 per cent on the previous year's \$133.2m. The profits for 1986, as a whole, however, were 7 per cent higher than the \$315m reported in 1985.

On a per share basis, NCR's 1986 net earnings were up 9 per cent from \$3.15 to \$3.42, while the last quarter results showed a 4 per cent improvement from \$1.34 to \$1.39.

NCR's revenues grew by 13 per cent in 1986 to \$4.88bn, while its pre-tax income increased by 10 per cent from \$562.8m to \$619.7m.

Mr Charles Exley, the company's chairman, predicted "another record year" for the company in 1987, and said NCR's product position was now "the strongest in history with new-generation systems available in every major product category." Order growth in Europe was particularly strong, although US orders had declined last year "reflecting the continuing slump in the domestic market."



Mr Charles Exley, NCR chairman

Although NCR's results were equal to or slightly lower than most analysts' expectations, they were well received on Wall Street. NCR's shares rose \$⅝ to \$54½ yesterday morning, despite the stock market's general decline.

Tandy, a leading manufacturer and marketer of cheaper personal computers for the low end of the business computer market, announced a 19 per cent gain in net income to \$103.8m or \$1.16 per share in the December quarter, the second of its 1987 fiscal year. Sales in the quarter were also up 19 per cent to \$1.20bn. For the six months to December, Tandy's net income was up 15 per cent to \$147.5m or \$1.64 a share, while its sales increased by 17 per cent to \$1.94bn.

Tandem, a much more specialised company with particular expertise in fault-tolerant systems and large minicomputer networks, yesterday announced a 133 per cent jump in net earnings, from \$11.6m to \$27.1m in the December quarter, the first of its fiscal year.

Tandem's per share earnings increased by 107 per cent from 28 cents to 58 cents per share and revenues grew by 40 per cent to \$238m. Tandem attributed the strong results to the introduction of new products allowing extensive networking by large numbers of minicompter users, a business in which Digital Equipment Corporation, is the market leader.

Tandem's shares leapt \$6¼ to \$49, a gain of nearly 15 per cent, yesterday on the results announcement.

# Microsoft lifts earnings 80%

BY OUR FINANCIAL STAFF

MICROSOFT, the large US software house which put Basic programming language on microcomputers boosted second-quarter net income by 80 per cent to \$19.7m, from \$10.9m. This meant that, for the six months to December 21, profit more than doubled to \$35.5m, from \$17.1m.

Revenues for the half year were 74 per cent higher at \$147.8m, against \$85.1m last time, with a 62 per cent rise in the latest quarter to \$81m, from \$49.9m a year ago.

Earnings per share for the three months reached 71 cents, up from 46 cents, and in the half year were ahead to \$1.28, from 72 cents previously.

The second-quarter performance was attributed to two main factors. The strength of the group's retail operations put Microsoft in a good positon to take advantage of strong computer shipments worldwide. Also, there was continued steady revenue growth across all distribution channels and in all product groups at home and internationally, said Mr John Shirley, president and chief operating officer.

Shipments of products for the Apple Macintosh microcomputer made an important contribution to revenue. More units of the new product, Microsoft Works, were shipped during its first 90 days, than in a similar introduction period of any of the group's other products, said Mr Frank Gaudette, vice president and chief financial officer.

# Fermenta shares fall to new low

By Kevin Done, Nordic Correspondent, in Stockholm

THE FERMENTA share price sank to a new low yesterday as trading in the embattled Swedish antibiotics and animal health group was restarted on the unofficial market in Stockholm following the company's expulsion from the Stock Exchange last week.

Trading in Fermenta has been suspended for an unprecedented five weeks, as the company has plunged into crisis after disclosures during the last month of irregularities in the group's accounts. Fermenta is being investigated by the police for suspected bookkeeping fraud.

The Fermenta B free share closed at SKr 38 against SKr 105 when trading was suspended with effect from December 15.

The priced peaked a year ago at SKr 325, before the group began its fall from grace with its market capitalisation sliding yesterday to only a tenth of its level in January 1986.

Many of Fermenta's more than 20,000 small shareholders are suing the previous Fermenta board for damages. The major shareholders – who acquired their stakes when Mr Refaat El-Sayed, the company's discredited former chief executive and its majority shareholder, defaulted on loans totalling more than SKr 1.4bn – are facing losses totalling several hundred million kronor at yesterday's trading levels.

Industrivärden, the Swedish investment company closely associated with Svenska Handelsbanken, agreed a price of just over SKr 80 a share in mid-December when it regulated its SKr 570m loan to Mr El-Sayed by taking over a 40 per cent voting stake in Fermenta.

Other major creditors of Mr El-Sayed are Gotabanken with a loan of some SKr 535m partly guaranteed by Volvo, Nordbanken, SKr 200m, and Electrolux, SKr 117m.

Mr Kjell Brandstrom, Industrivärden managing director, said yesterday that Gotabanken and Volvo needed a Fermenta share price of around SKr 120 and that Nordbanken and Electrolux needed a price of some SKr 70 to cover their claims.

WEST GERMANY'S LARGEST PRIVATISATION TO RAISE DM 3BN

# Bonn to sell off Veba in March

BY DAVID MARSH IN BONN

THE WEST GERMAN Government yesterday said it would sell its remaining 25.55 per cent stake in Veba, the large energy and chemicals conglomerate, in the second half of March.

**The government says it also plans to sell its remaining 16 per cent stake in Volkswagen later this year. This would probably bring total privatisation proceeds to well over the DM 3.3 outlined in the 1987 budget proposals.**

The deal, which will raise around DM 3bn (\$1.6bn) to go towards 1987 budgetary receipts, will rank as by far the largest West German privatisation operation.

It will also be the largest single capital raising move on the West German stock exchanges. Topping last year's capital increase for Volkswagen and the flotation of Feldmühle Nobel, which each netted about DM 2bn.

Mr Gerhard Stoltenberg, the Finance Minister, who announced the timing of the sale, said foreign banks would have a placing share of about 20 per cent in the banking consortium underwriting the operation.

Although sale of the Government's remaining share in Veba was agreed in principle last July, news of the placing added to general downwards pressure on West German share prices yesterday. Veba closed in Frankfurt down DM 12 at DM 287.

Mr Stoltenberg also said the Government planned to sell its remaining 16 per cent stake in Volkswagen later this year, bringing total state privatisation proceeds probably to well over the DM 3.3bn outlined in 1987 budget proposals finally agreed at the end of last year.

He confirmed, however, that the Lower Saxony state government would be maintaining its 20 per cent stake in VW.

Mr Stoltenberg rejected criticism from the opposition Social Democratic Party (SPD), which yesterday accused the Government of mounting a "winter sale" of state assets at bargain prices.

Based on the Veba share price of between DM 270 and DM 310 during the past four months, the sale would raise between DM 2.73 and DM 3.13bn, with the exact issue terms to be fixed shortly before flotation, he said.

Mr Stoltenberg said discussions over selling the state's majority share in the national airline. Lufthansa, which has been blocked in the past by disagreement in the Conservative-Liberal coalition Government, would be resumed after the January 25 elections.

The Bonn Government started to reduce its stake in Veba in January 1984, bringing it down from 43.75 per cent.

Mr Stoltenberg said the Government's privatisation programme which began in 1983, had reduced or removed altogether majority stakes in 51 different companies over the past four years.

On further privatisation plans, he said the Government would have to limit its sales according to the market's absorbtion capacity.

# Hoffmann-La Roche hit by rise in Swiss franc

BY JOHN WICKS IN ZURICH

HOFFMANN-LA ROCHE, the Basle chemical concern, saw turnover and earnings fall last year as a result of the sharp rise in the Swiss franc exchange rate.

Group sales fell to SFr 7.83bn (\$5.08bn) a figure 12 per cent below the SFr 8.94bn record set in 1985 and 5 per cent down on the 1984 level. In terms of Swiss francs, all divisions showed a decline in turnover during 1986.

In terms of local currencies, however, sales increased – also by 12 per cent. Roche attributed this to prosperous market conditions in the industrialised countries, particularly Europe and Japan, and a continued rise in demand by third world nations. Even after excluding high-inflation markets, the growth in local-currency turnover was 6 per cent.

The group said the currency situation would also mean that profits would probably not reach 1985 levels. However, there had been an improvement in return on sales, the company added.

Group net income of SFr 451.6m in 1985 represented 5 per cent of turnover, indicating that the corresponding figure for 1986 would be at least SFr 390m.

Pharmaceuticals continued to account for the biggest share of group turnover last year. Division sales rose 12 per cent in local currencies but fell 16 per cent to SFr 3.18bn in terms of Swiss francs. A sharp international increase in demand for Roche's antibiotic "Rocephin" largely cushioned falling "Valium" sales in the US, while other new products were also said to have done well.

Vitamins and fine chemicals showed a 12 per cent decline in sales to SFr 2.06bn (12 per cent in local currencies).

# Renault offshoot 'still on break-even course'

BY KENNETH GOODING IN LONDON

RENAULT VEHICULES Industriels, the truck and bus subsidiary of the state-owned French group, has a "tough but good year" in 1986 leaving it still on course to break-even in 1988, according to Mr Herve Guillaume, director, sales and international affairs.

It has already been indicated that RVI expects to cut its loss to FFr 1bn (\$162m) in 1986 from FFr 1.5bn the previous year.

The group produced 31,171 trucks over 5 tonnes in 1986 (up 2.2 per cent on 1985) and 2,753 buses and coaches (down 2.8 per cent). The figures do not include the output of Mack, RVI's associate in the US.

Mr Guillaume said no major increase in production was forecast for this year. The company wanted to hold on to its near-40 per cent heavy truck market share in France but to do better in the rest of Europe.

RVI delivered 4,600 trucks in the rest of Europe last year, an 8.4 per cent increase, and Mr Guillaume suggested that efforts to improve the dealer network in the region are paying off.

RVI has set up a Western Europe Commercial Department to oversee the increased effort and "ambitious objectives" for the rest of Europe.

Mr Guillaume admitted that RVI's determination not to allow its market share in France to slip very far below 40 per cent had hit the company's domestic market profitability last year.

RVI delivered 5,720 trucks to the US in 1986 (up from 5,252 in 1985) where they are sold through the Mack network as the Midliner. The company hopes to hold volume steady in 1987.

Deliveries outside Western Europe and the US fell by 30 per cent to 5,500.

# Mannesmann aims for Fichtel stake

By Peter Bruce in Bonn

MANNESMANN, the West German steel pipes and engineering group, said yesterday it was trying to buy a stake in Fichtel & Sachs, one of the country's major motor component groups.

Mannesmann did not say how much of the Schweinfurt-based group was on offer to it, but it said it was negotiating with Mec Sachs Vermögensholding, which has a 37.5 per cent stake in Sachs AG, the Fichtel & Sachs holding company.

Mec Sachs Vermögensholding holds all the Sachs shares held by the late Mr Ernst Wilhelm Sachs, who died in 1977. His brother Gunther has recently sold off most of his share in the group to the Commerzbank.

Fichtel & Sachs, the core of the Sachs empire, turns over around DM 2.2bn (\$1.2bn a year). Mannesmann turned over some DM 8bn last year.

# Westinghouse Electric ahead despite flat sales

BY RODERICK ORAM IN NEW YORK

WESTINGHOUSE ELECTRIC, the diversified US industrial group, has reported an 11 per cent increase in net profits on virtually flat sales for the year ended December 31.

Net profits rose to \$670.8m, or \$4.42 a share on a primary basis, from \$605.3m, or \$3.52, a year earlier on sales of \$10.73bn against \$10.7bn, adjusting for the sale of its cable television operations in mid-year, 1986 sales grew 3 per cent.

Fourth quarter profits expanded to \$203.2m or \$1.38, against \$163.1m, or \$1.12, despite a fall in sales to \$2.87bn from \$3.22bn.

All four business segments – industrial, commercial, broadcasting and energy and advanced technologies – reported lower revenues in the period while only the last managed higher sales during the year.

Westinghouse Credit Corporation, the group's financial services subsidiary, reported net profits of \$108.2m against \$78.2m in 1985, although fourth quarter pre-tax profits were lower compared with a year earlier.

Overall, Westinghouse's operating profit margin expanded to 8.1 per cent in 1986 from 6.9 per cent in 1985 and 5.9 per cent in 1984. Return on average equity increased to 20.7 per cent from 16 per cent in 1985 and 15.1 per cent in 1984.

The results include a pre-tax gain of \$651m from the sale of the group's cable television interests and pre-tax provisions totalling \$790m for a comprehensive business restructuring programme. On an after-tax basis, the two items roughly balanced out.

The company said its strong balance sheet would allow it to "continue to examine appropriate acquisitions and other growth opportunities." Although low economic growth is forecast for this year, Westinghouse expects higher profits.

# Corning Glass suffers lower telecom orders

By James Buchan in New York

CORNING Glass Works, the New York State glass products manufacturer, reported a 5.6 per cent decline in fourth-quarter net income in the face of declining demand for optical fibre in the US telecommunications industry.

Corning yesterday reported fourth-quarter earnings before extraordinary gains of \$26.9m, or 60 cents a share, against \$28.5m, or 66 cents a share, in the last quarter of 1985. Tax credits for past losses increased these figures to \$33.1m, or 74 cents a share, and \$29.4m, or 68 cents a share. Sales revenues rose just under 10 per cent for the quarter to \$436.8m and for the year to \$1.9bn.

Earnings for the year before tax credits rose 51 per cent to \$162.2m, or \$3.70 a share, from \$107.6m, or \$2.53, thanks to a strong first half.

Because US demand for optical fibre declined amid saturation of the market for trunk lines and reduced spending on optical fibres at the Bell operating companies, Corning took steps to cut staff costs. This resulted in a \$48.5m special charge in the fourth quarter which was covered by the gains on the sale and exchange of corporate securities.

# Rustenburg to raise dividend

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

SOUTH AFRICA'S Rustenburg Platinum Holdings, the world's major platinum producer, has reported sharply increased profits for the first half of the current fiscal year to June and is raising its interim dividend to 90 cents from 52.5 cents a year ago when there was a subsequent final of 82.5 cents.

In a change of accounting practice, the company now bases its charge against profits for renewals and replacements on the actual expenditure for the period. Previously the provision was based on the estimated annual average of the current and future expenditure required.

Under the new system net profits for the half-year come out at R195.8m (\$94.9m), equal to 156.3 cents per share, against a revised figure of R92.9m previously. Respective figures under the previous basis would be R210m against R104.6m.

Rustenburg received higher prices – both in dollars and South African rands – for its platinum and also increased its sales. The company warns, however, that if the metal prices remain at the lower levels now prevailing profits for the second half are likely to be "significantly lower."

# Aetna launches joint reinsurance venture

BY OUR NEW YORK STAFF

AETNA Life & Casualty, one of the largest US insurance companies, and a group of US and UK financial institutions, have raised more than \$100m to back a joint re-insurance company specialising in directors & officers (D&O) liability insurance coverage.

During the past few years corporations have found it increasingly difficult to obtain adequate insurance cover for their directors and officers, Aetna's move is significant because it is thought to be the first time there has been a "real marriage" between a re-insurer, an underwriting agency and an issuing carrier in a bid to solve the shortage of capacity in this key sector of the insurance market.

Aetna, which has begun offering D&O insurance to US corporations, financial institutions and non-profit associations, has entered an underwriting management partnership known as executive risk management associates (Erma), which will perform underwriting and claims services for the new cover.

Aetha policies serviced by Erma will be substantially re-insured by American Excess Insurance (to be renamed Eric) of Simsbury, Connecticut. It is a Delaware insurance company with \$100m of capital.

Eric will specialise exclusively in D&O cover and was formed by Chase Investment Bank, Conning & Co, a Hartford-based investment banker, Johnson & Higgins, international insurance brokers, London United Investments, a UK investment company, Willis Faber & Dumas, a London insurance broker, and Aetna. The six companies have contributed \$27m to the new venture which has been capitalised through a private placement.

Aetna intends initially to offer policies which provide up to \$15m per risk but plans to increase the maximum cover in the near future. Mr William A. Pollard, former chief executive of Reliance Insurance, has been named chairman and chief executive of Eric, and Mr Stephen Sills, former vice president of Stewart Smith East, a D&O underwriter, has been named senior vice president of Eric.

● Alexander & Alexander, one of the world's biggest insurance brokers, has formed a global consulting company to sell pensions and other employee benefits advice and management,

The new company, Alexander Consulting Group, will aim to increase market share particularly in the UK, Canada and Australia, A&A said.

# INTERNATIONAL COMPANIES and FINANCE

## Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
Registration No. 05/22452/06

### Consolidated Interim Report

for the six months ended 31 December 1986

The consolidated income statement for the six months to 31 December 1986, together with comparable figures for the six months to 31 December 1985, are set out on two bases below. The revised basis incorporates an amendment to the method that had been used up to 30 June 1986 to calculate the provision for renewals and replacements, and the rationale for this change is given in the commentary that follows.

| CONSOLIDATED INCOME STATEMENT | REVISED BASIS Six Months to 31/12/86 Rm | REVISED BASIS Six Months to 31.12.85 Rm | ORIGINAL BASIS Six Months to 31.12.86 Rm | ORIGINAL BASIS Six Months to 31.12.85 Rm | Twelve Months to 30.6.86 Rm |
|---|---|---|---|---|---|
| Gross sales revenue | 1,133.2 | 720.3 | 1,133.2 | 720.3 | 1,559.6 |
| Commissions and discounts | 73.0 | 44.3 | 73.0 | 44.3 | 103.9 |
| Net sales revenue | 1,060.2 | 676.0 | 1,060.2 | 676.0 | 1,495.7 |
| Cost of sales | 496.5 | 404.5 | 496.5 | 404.5 | 819.9 |
| On-mine costs | 395.0 | 306.2 | 395.0 | 306.2 | 628.0 |
| Treatment and refining | 74.7 | 67.8 | 74.7 | 67.8 | 130.9 |
| Other expenses | 37.2 | 27.5 | 37.2 | 27.5 | 61.7 |
| (Increase)/decrease in stock | (10.4) | 3.0 | (10.4) | 3.0 | (0.7) |
| Profit on metal sales | 563.7 | 271.5 | 563.7 | 271.5 | 675.8 |
| Other income | 22.0 | 14.2 | 22.0 | 14.2 | 41.5 |
| Net operating profit | 585.7 | 285.7 | 585.7 | 285.7 | 717.3 |
| Renewals and replacements charge | 63.1 | 51.6 | – | – | – |
| Renewals and replacements provision | – | – | 48.9 | 39.9 | 96.8 |
| Profit before taxation | 522.6 | 234.1 | 536.8 | 245.8 | 620.5 |
| Tax and lease | 316.8 | 140.1 | 316.8 | 140.1 | 354.6 |
| Tax normalisation | 10.0 | 1.1 | 10.0 | 1.1 | 7.7 |
| Profit after taxation | 195.8 | 92.9 | 210.0 | 104.6 | 258.2 |
| Dividends | 112.8 | 65.8 | 112.8 | 65.8 | 169.2 |
| Renewals and replacements appropriation | 32.8 | – | – | – | – |
| Transfer to reserves | 50.2 | 27.1 | 97.2 | 38.8 | 89.0 |
| Number of shares in issue (millions) | 125.3 | 125.3 | 125.3 | 125.3 | 125.3 |
| Earnings per share (cents) | 156.3 | 74.1 | 167.6 | 83.5 | 206.1 |
| Dividend per share (cents) | 90.0 | 52.5 | 90.0 | 52.5 | 135.0 |
| Dividend cover | 1.7 | 1.4 | 1.9 | 1.6 | 1.5 |

NOTES

1. During the six months to 31 December 1986, the sales volumes of all metals, with the exceptions of nickel, iridium and ruthenium, were higher than those in the comparable period to 31 December 1985. Both higher dollar and rand prices were received for platinum, palladium, rhodium, ruthenium and gold, and the reverse for base metals.

2. In the past the provision for renewals and replacements was based on the estimated annual average of the current and future expenditure required to maintain the existing production capacity. This smoothing device has proved to be unsatisfactory in achieving its objective, partly because of the rates of inflation that have prevailed in the past, and which seem likely to prevail in the future, and partly because estimates of capital expenditures four to five years ahead tend to be less accurate than those for the immediate future. The Board has therefore decided, with the agreement of the auditors, to abandon this smoothing device, and the charge against profits for renewals and replacements will be based on the actual expenditure for the period. It is on this basis that the capital expenditure incurred during the six months of R63.1 million has been charged against profits. It has also been resolved, so as to eliminate the current debit balance on the renewals and replacements reserve, that a special appropriation be made in this half year from profit after tax equal to the balance on the renewals and replacements reserve at 30 June 1986.

3. On this revised basis net operating profit increased by 105.0% to R585.7 million. Liabilities for taxation and lease, together with the charge for renewals and replacements rose by R197.1 million, or 102.2%. Profit after taxation, as a result, rose by 110.8% or R102.9 million, to R195.8 million. Earnings per share therefore increased to 156.3 cents per share (74.1 cents), and the interim dividend has been raised by 71.4% or 37.5 cents per share, to 90.0 cents per share.

4. Current rand prices for those metals from which Rustenburg obtains the majority of its revenues are below the average prices realised in the six months to 31 December 1986. If they remain as is, then the profits in the second six months of Rustenburg's financial year are likely to be significantly lower than those declared during the period under review.

5. Capital expenditure during the period, including that incurred at the refineries, amounted to R78.6 million (R53.2 million) of which R63.1 million (R51.6 million) was charged as renewals and replacements. The construction and development of the new precious metals refinery at Rustenburg has commenced.

For and on behalf of the Board
G H Waddell } *Directors*
B P Gilbertson }

**DECLARATION OF DIVIDEND**

Dividend No. 66 of 90.0 cents per share, South African currency, has been declared payable to members registered in the books of the Company at the close of business on 6 February 1987. The conditions of payment, which can be obtained from the Company's Head Office or from the London Secretaries, provide inter alia, that the dividend shall be converted to the United Kingdom currency at the rate of exchange quoted by the Company's Bankers on 20 February 1987. South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted where applicable. The Register of Members will be closed from 9 February 1987 to 13 February 1987, both days inclusive. Dividend warrants will be posted on 5 March 1987 and will be payable on 6 March 1987.

By order of the Board
Johannesburg Consolidated Investment Company, Limited
*Secretaries*
Per: R B Appleton

*Head Office and Registered Office*
Consolidated Building
Corner Fox and Harrison Streets, Johannesburg 2001
P.O. Box 590, Johannesburg 2000

*London Secretaries*
Barnato Brothers Limited
99 Bishopsgate
London EC2M 3XE

19 January 1987

*Copies of this interim report can be obtained from the London Secretaries*

## Amazon mine project to go ahead

By Ann Charters in Sao Paulo

COMPANHIA Vale Do Rio Doce, Brazil's largest state-controlled metals and mining conglomerate, plans to go ahead with a $196m alumina complex near Belem, Para, in the Amazon region, despite a decision by Nippon Amazon Aluminium (Naac), a Japanese consortium, to withdraw from the project.

Naac's move was attributed to low international prices for alumina which made further investment in the Alunorte project unattractive. Naac, with a 39.2 per cent equity in Alunorte, has committed investment totalling $23m in capital and $17m in loans to the project.

A CVRD spokesman said the company was looking at the possibility of finding other partners, either foreign or domestic, or continuing the project alone. Alunorte is intended to supply alumina to nearby Albras, a joint CVRD-Naac aluminium venture which currently imports alumina from Surinam.

Naac, which includes Mitsui Aluminium, Nippon Light Metals, Showa Denka, Mitsubishi Chemicals Industry and Sumitomo Chemical, will continue to hold its 49 per cent stake in Albras and will participate in a second phase expansion to double production to 320,000 tonnes by 1990. This will require investment of $300m from each partner.

## PKbanken plans international role for English Trust unit

BY DAVID LASCELLES IN LONDON

PKBANKEN, the Swedish state-controlled bank, is to develop its newly acquired English Trust as a main component of its international commercial and investment banking business.

PKbanken is completing the £36m acquisition of English Trust, the London-based merchant bank, and is to change its name on February 24 to PK English Trust.

The management headed by Mr Richard Cox Johnson will remain, but an additional manager from Sweden will be appointed.

Mr Christer Ragner, the executive vice president for PKbanken's international operations, said his bank had bought English Trust because it was particularly interested in developing fee-earning and corporate finance business.

"Just building assets and traditional banking is probably not the best way to do international banking today," he said.

PKbanken, 85 per cent owned by the Swedish Government, previously ran its international business in partnership with Christiania Bank of Norway.

But last year the two banks decided to go their separate ways. In addition to English Trust, PKbanken has set up a bank in New York, and acquired two of the partnership's banks in the Far East.

PK English Trust will engage in traditional banking and corporate finance, and be active in the securities markets, mainly equities. It may seek membership of the London Stock Exchange.

PKbanken expects to expand corporate finance activities by combining its own capital with the contacts and expertise of English Trust.

It will also conduct investment management both in the UK and through Train Smith Counsel, English Trust's US partner. The bank will have total funds under management of $700m.

## Kuoni bullish on profit forecast

By John Wicks in Zurich

REISEBÜRO Kuoni, the Swiss-owned international travel-agency group, expects net profits last year to "at least" match the record SFr 7.42m ($4.8m) of 1985 when Kuoni increased its annual dividend from 20 per cent to 22 per cent.

The group expects turnover to remain at about the 1985 level of SFr 1.4bn this would have been "substantially higher" but for the fall in the exchange rate of most countries in which Kuoni has operations.

● Another leading Swiss travel-agency concern, the Migros subsidiary Hotelplan, reported a 3.7 per cent increase in turnover for the year ended October 31, 1986, to SFr 563m. At unaltered exchange rates, growth would have been 6.8 per cent.

Hotelplan, whose profits stayed at the 1984-85 level of SFr 3.82m, says that SFr 274m of last year's turnover was accounted for by the Swiss parent company, SFr 215m by foreign subsidiaries and the remainder by the Swiss subsidiaries Esco-Reisen and Horizonte management.

## Burlington Northern profits fall 37%

BY OUR NEW YORK STAFF

BURLINGTON Northern, the US railroad and energy group which has been the subject of takeover rumours, yesterday reported a 37 per cent fall in fourth quarter net income to $76.3m and a $880.5m net loss for 1986.

The 1986 net loss, equivalent to $12.07 a share, compares with a net profit of $556.7m, or $6.65 a share, in 1985 and largely reflects a previously announced $1.9bn pre-tax non-cash charge to cover various accounting changes at its oil, gas and railroad units. Excluding these charges, 1986 net income totalled $289.1m, or $3.46 a share.

The fourth-quarter contribution from the group's railroad operations, which account for 58 per cent of total revenues, fell 50 per cent reflecting a $54m coal rate litigation reserve and narrower operating margins.

The company says that this non-recurring coal rate provision should fully protect it against any remaining financial exposure from proceedings presently before the interstate commerce commission.

Although traffic volume rose 12 per cent in the fourth quarter, revenues fell 6 per cent, partly due to the coal rate reserve. The company notes that its operating expenses per revenue ton mile fell 8.8 per cent to 1.66 cents per revenue ton mile for the full year.

## N. American quarterlies

**AUTOMATIC DATA PROCESSING**
Computer services

| Second quarter | 1986-87 $ | 1985-86 $ |
|---|---|---|
| Revenue | 334.2m | 290.3m |
| Net profits | 30.0m | 24.9m |
| Net per share | 0.41 | 0.34 |
| Six months | | |
| Revenue | 655.2m | 561.4m |
| Net profits | 52.7m | 45.2m |
| Net per share | 0.72 | 0.60 |

**H. F. AHMANSON**
Savings and loans

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | – | – |
| Net profits | 80.3m | 68.9m |
| Net per share | 0.82 | 0.82 |
| Year | | |
| Revenue | – | – |
| Net profits | 365.6m | 220.9m |
| Net per share | 3.22 | 2.66 |

**ROWAN COS.**
Contract drilling

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 38.2m | 66.3m |
| Net profits | †17.4m | 1.2m |
| Net per share | †0.26 | 0.02 |
| Year | | |
| Revenue | 167.2m | 272.5m |
| Net profits | †42.1m | 3.8m |
| Net per share | †0.61 | 0.07 |

†Loss

U.S.$75,000,000
SWEDBANK
(SPARBANKERNAS BANK)
Subordinated Floating Rate Notes due 1997

Notice is hereby given that for the three months interest period from January 20, 1987 to April 21, 1987 the Notes will carry an interest rate of 6 7/16% per annum. The interest payable on the relevant interest payment date, April 21, 1987 will be $4068.14 and $162.73 respectively for Notes in denominations of $250,000 and $10,000. The sum of $162.73 will be payable per $10,000 principal amount of Registered Notes.

January 20, 1987
By: The Chase Manhattan Bank, N.A. London, Agent Bank.

# Leadership in Mergers, Acquisitions and Divestitures

[illegible] 1986, First Boston's Merger and Acquisition Group acted as financial advisor on 7 of the 10 largest deals announced, more than any other investment banker. First Boston advised on more than 240 mergers, acquisitions, divestitures and leveraged buyout transactions worth over $75 billion, including over 100 transactions over $100 million. Together with its affiliate Credit Suisse First Boston, the firm advised on more than 50 international transactions [illegible] $20 billion.

[illegible] First Boston/Credit Suisse First Boston has the unequalled depth of its 160-person Merger and Acquisition Group, with [illegible] professionals in New York, London and Tokyo, as well as Atlanta, Boston, Chicago, Houston, Los Angeles and San Francisco. Together with corporate finance and equity research professionals, the Merger and Acquisition Group [illegible] a global network of financial experts to serve its clients.

## INTERNATIONAL

| Acquiring Company | Acquired, Selling or Target Company | Assignment or Form of Transaction | Approximate Size of Transaction |
|---|---|---|---|
| **Campeau Corporation** | Allied Stores Corporation | Acquisition of Approximately 52% of Outstanding Common Stock in Open Market Purchase/Merger for Cash | $3,600,000,000 |
| American Hoechst Corporation | **Celanese Corporation** | Cash Tender Offer (Pending) | 2,830,000,000 |
| The General Electric Company, p.l.c. | **The Plessey Company plc** | Takeover Defense (Offer Unsuccessful) | 2,500,000,000 |
| **Imasco Limited** | Genstar Corporation | Cash Tender Offer | 1,850,000,000 |
| First City Financial Corporation | **Ashland Oil, Inc.** | Takeover Defense (Offer Unsuccessful) Stock Repurchase Program | 1,800,000,000 |
| Fiat S.p.A. | **Finmeccanica S.p.A.** | Divestiture of the Alfa Romeo Group | 730,000,000 |
| **Yves Saint Laurent S.A.** | Squibb Corporation | Acquisition of the business of Charles of the Ritz Group Ltd. | 631,000,000 |
| **Prudential Corporation plc** | Jackson National Life Insurance Company | Merger for Cash | 608,000,000 |
| Deutsche Bank AG | **BankAmerica Corporation** | Divestiture of Banca d'America e d'Italia | 603,000,000 |
| **W. R. Grace & Co.** | Deutsche Bank AG | Repurchase of 26% Interest | 598,000,000 |
| The Boots Company, PLC | **Baxter Travenol Laboratories, Inc.** | Divestiture of Flint Division | 555,000,000 |
| **NEC Corporation** and Compagnie des Machines Bull | Honeywell Inc. | Acquisition of Information Systems Business (Pending) | 500,000,000 |
| **Sedgwick Group plc** | The Crump Companies, Inc. | Merger for Cash | 307,000,000 |
| Arvin Industries, Inc. | **Alusuisse of America, Inc., a subsidiary of Swiss Aluminium Ltd.** | Divestiture of Maremont Corporation | 245,000,000 |
| Sumitomo Rubber Industries Ltd. | **Dunlop Tire Corporation** | Merger for Cash | 245,000,000 |
| J. Henry Schroder Bank & Trust Company | **Aubrey G. Lanston & Co. Inc.** | Merger for Cash | 243,000,000 |
| BP North America, Inc. | **Owens-Corning Fiberglas Corporation** | Divestiture of HITCO (Pending) | 240,000,000 |
| **Sandoz Corporation** | Farley/Northwest Industries, Inc. | Acquisition of Agrichemical Business of Velsicol Chemical Corporation | 232,000,000 |
| **Tarmac PLC** | Lone Star Industries, Inc. | Acquisition of 60% of Southeast Region Businesses | 225,000,000 |
| **Hawley Group Limited** | Cope Allman International PLC | Acquisition for Convertible Preferred Stock | 211,000,000 |
| Hanson Trust PLC | **Kaiser Cement Corporation** | Cash Tender Offer (Pending) | 202,000,000 |
| General Accident Fire and Life Assurance Corporation p.l.c. | **Reliance Group Holdings, Inc.** | Divestiture of Pilot Insurance Company | 144,000,000 |
| Blue Tee Acquisition Corp. | **Gold Fields American Corporation, a subsidiary of Consolidated Gold Fields plc** | Divestiture of Gold Fields American Industries, Inc. | 123,000,000 |
| The Rio Tinto-Zinc Corporation PLC | **Celanese Corporation** | Divestiture of Celanese Specialty Resins, Inc. and Celanese Water Soluble Polymers, Inc. | 122,000,000 |
| CERUS S.A. | **Yves Saint Laurent S.A.** | Sale of 37% Interest | 78,000,000 |
| Unilever N.V. and Industrias Gessy-Lever Limitada | **Anderson, Clayton & Co.** | Divestiture of Brazilian subsidiary, Anderson, Clayton S.A. Industria e Comercio | 77,000,000 |
| **Pakhoed Holding N.V.** | Univar Corporation | Indirect Acquisition of 35% Interest | 76,000,000 |
| Henkel KGaA | **Beecham Group p.l.c.** | Divestiture of U.K. and European Home Improvement Products Division | 59,000,000 |
| **Ing. C. Olivetti & C., S.p.A.** | Overpart A.G. | Acquisition of 22.5% Interest in Pelikan Holding A.G. (Pending) | 58,000,000 |
| The Mutual Life Assurance Company of Canada | **Western States Life Insurance Company** | Merger for Cash | 54,000,000 |
| AEG Aktiengesellschaft | **Modular Computer Systems, Inc.** | Cash Tender Offer | 52,000,000 |
| NERCO Minerals Company | **Cominco Ltd.** | Divestiture of Con Gold Operation | 46,000,000 |
| Aachen and Munich Holding Company | **Academy Insurance Group, Inc.** | Sale of Newly Issued Convertible Debt | 39,000,000 |
| Unilever N.V. | **Anderson, Clayton & Co.** | Divestiture of Mexican subsidiary, Anderson, Clayton & Co., S.A. | 36,000,000 |
| Dawson International PLC | **Associated Products Inc.** | Merger for Cash | 30,000,000 |
| **The Burmah Oil plc** | Clow Corporation | Acquisition of Water Management Division | 12,000,000 |
| Investor Group | **Bridon plc** | Divestiture of 49% Interest in Group Industrial Camesa | 12,000,000 |
| Banca Nazionale del Lavoro | **The First National Bank of Chicago** | Divestiture of Banco Denasa de Investimento S.A. | Undisclosed |
| Charterhouse Group International, Inc. | **Allied-Signal Inc.** | Divestiture of C & D Power Systems | Undisclosed |
| CNC Corp. | **Naamloze Vennootschap DSM** | Divestiture of Substantially all the Assets of Columbia Nitrogen Corporation | Undisclosed |
| **Dunlop Tire Corporation** | BTR plc | Acquisition of Dunlop Tires (Canada) Ltd. | Undisclosed |
| Fertimont S.p.A. | **Intercontinental Development Corporation** | Divestiture of Conserv, Inc. | Undisclosed |
| Foret S.A., a subsidiary of FMC Corporation | **Union Salinera de España S.A.** | Divestiture of Sodium Sulfate Division | Undisclosed |
| F & N Acquisition Corp. | BATUS Inc., a subsidiary of **B.A.T Industries p.l.c.** | Divestiture of Frederick & Nelson, Inc. and The Crescent Stores, Inc. | Undisclosed |
| Helvetia Fire | **Cervantes S.A.** | Merger for Cash | Undisclosed |
| Ingram & Bell Inc. | **American Sterilizer Company** | Divestiture of Certain Assets of Ingram & Bell, Ltd. | Undisclosed |
| Kohl's Holding, Inc. | **BATUS Inc.**, a subsidiary of **B.A.T Industries p.l.c.** | Divestiture of Kohl's Department Stores, Inc. | Undisclosed |
| Management Group | **Armco Inc.** | Divestiture of the Armco Mexican Division | Undisclosed |
| Negri River Corporation Limited and Grant's Patch Mining Limited | **Amselco Exploration Inc.**, a subsidiary of **BP North America, Inc.** | Divestiture of Colosseum Gold Project | Undisclosed |
| Ohio River Associates, Inc. | **Consolidated Aluminum Corporation**, a subsidiary of **Swiss Aluminium Ltd.** | Divestiture of Interest in Ormet Corporation | Undisclosed |
| Siebe, Inc. | **W. H. Salisbury & Co.** | Merger for Cash | Undisclosed |
| Total Petroleum, Inc. | **AMR Corporation** | Divestiture of AMR Energy Corporation | Undisclosed |
| Utah International Inc. | **Texaco Inc.** | Divestiture of 50% Interest in the Escondida copper deposit | Undisclosed |

Note: First Boston's clients are indicated by bold print.

*Continued on following page*

# The First Boston Corporation
# Credit Suisse First Boston Limited

# Leadership in Mergers, Acquisitions and Divestitures 1986

## DOMESTIC U.S.

| Acquiring Company | Acquired, Selling or Target Company | Assignment or Form of Transaction | Approximate Size of Transaction |
|---|---|---|---|
| Burroughs Corporation | **Sperry Corporation** | Cash Tender Offer/Merger for Cash and Convertible Preferred Stock | $4,825,000,000 |
| United States Steel Corporation | **Texas Oil & Gas Corp.** | Merger for Common Stock | 3,560,000,000 |
| Capital Cities Communications, Inc. | **American Broadcasting Companies, Inc.** | Merger for Cash and Warrants | 3,500,000,000 |
| **Occidental Petroleum Corporation** | MidCon Corp. | Cash Tender Offer/Merger for Common Stock | 3,000,000,000 |
| **Communications Satellite Corporation** | Contel Corporation | Merger for Common Stock (Pending) | 2,400,000,000 |
| The Henley Group, Inc. | **Allied-Signal Inc.** | Spin-off to Shareholders of 70% Ownership in New Corporation Formed to Own 30 Allied-Signal Business Units and Initial Public Offering of 60 million Shares of Henley Common Stock | 2,215,000,000 |
| American Television and Communications Corporation, Tele-Communications, Inc., et al. | **Westinghouse Electric Corporation** | Divestiture of Group W Cable, Inc. | 2,100,000,000 |
| **MCV Holdings, Inc.** | Viacom International Inc. | Leveraged Buyout organized by First Boston, Donaldson, Lufkin & Jenrette, Inc., and Drexel Burnham Lambert Incorporated (Pending) | 1,970,000,000 |
| Colt Industries Inc | **Colt Industries Inc** | Recapitalization | 1,530,000,000 |
| **The Coca-Cola Company** | JTL Corporation | Merger for Cash | 1,400,000,000 |
| **Lockheed Corporation** | Sanders Associates, Inc. | Cash Tender Offer | 1,175,000,000 |
| International Paper Company | **Hammermill Paper Company** | Cash Tender Offer | 1,100,000,000 |
| UAL, Inc. | **Transworld Corporation** | Divestiture of Hilton International Co. (Pending) | 975,000,000 |
| Coniston Partners | **NL Industries, Inc.** | Takeover Defense (Offer Unsuccessful) | 910,000,000 |
| **NWA Inc.** | Republic Airlines, Inc. | Merger for Cash | 884,000,000 |
| Various Buyers | **Sun Company, Inc.** | Divestiture of Certain Oil and Gas Properties | 850,000,000 |
| The Quaker Oats Company | **Anderson, Clayton & Co.** | Cash Tender Offer | 805,000,000 |
| **First Boston, Inc. Investor Group** | Union Carbide Corporation | Leveraged Buyout of the Home and Automotive Products Division, with Management, First Boston and First Boston Mezzanine Investment Partnership as Investors | 800,000,000 |
| Occidental Petroleum Corporation | **Diamond Shamrock Corporation** | Divestiture of Diamond Shamrock Chemicals Company | 800,000,000 |
| **Rorer Group, Inc.** | Pantry Pride, Inc. | Acquisition of Revlon Ethical Pharmaceuticals Business | 690,000,000 |
| **Midlantic Banks Inc.** | Continental Bancorp, Inc. | Merger for Common Stock (Pending) | 680,000,000 |
| **International Minerals & Chemical Corporation** | Avon Products, Inc. | Acquisition of Mallinckrodt, Inc. | 675,000,000 |
| Adler & Shaykin Investor Group | **Joy Manufacturing Company** | Cash Tender Offer/Merger for Preferred Stock (Pending) | 620,000,000 |
| Banc One Corporation | **American Fletcher Corporation** | Merger for Common Stock (Pending) | 597,000,000 |
| **Marine Midland Banks, Inc.** | First Pennsylvania Corporation | Merger for Cash (Pending) | 585,000,000 |
| **National Distillers and Chemical Corporation** | Enron Corp. | Acquisition of Enron Chemical Company | 570,000,000 |
| FPL Group Inc. | **Colonial Penn Group, Inc.** | Merger for Cash | 565,000,000 |
| **Time Incorporated** | SFN Companies, Inc. | Acquisition of Scott, Foresman and Company | 520,000,000 |
| **Harcourt Brace Jovanovich, Inc.** | CBS Inc. | Acquisition of Educational and Professional Publishing Division | 500,000,000 |
| Forstmann Little & Co. | **Midland-Ross Corporation** | Cash Tender Offer | 483,000,000 |
| Kelso & Company Investor Group | **BCI Holdings, Inc.** | Divestiture of BCI Americold Corporation | 480,000,000 |
| **Security Pacific Corporation** | Arizona Bancwest Corporation | Merger for Cash | 480,000,000 |
| Chemical New York Corporation | **Horizon Bancorp** | Merger for Cash (Pending) | 465,000,000 |
| **Ford Motor Company** | Sperry Corporation | Acquisition of New Holland Farm Equipment Business | 440,000,000 |
| E. I. du Pont de Nemours and Company | **Baxter Travenol Laboratories, Inc.** | Divestiture of American Critical Care | 425,000,000 |
| **AZP Group, Inc.** | MeraBank, a Federal Savings Bank | Merger for Cash | 422,000,000 |
| **Sovran Financial Corporation** | Suburban Bancorporation | Merger for Common Stock | 405,000,000 |
| Berkshire Hathaway Inc. | **The Scott & Fetzer Company** | Merger for Cash | 402,000,000 |
| **Genentech, Inc.** | Genentech Clinical Partners, Ltd. and Genentech Clinical Partners II | Acquisitions for Common Stock | 400,000,000 |
| **Citizens and Southern Georgia Corporation** | The Citizens and Southern Corporation | Merger for Cash | 395,000,000 |
| Union Bancorp | **United Bancorp of Arizona** | Merger for Cash | 335,000,000 |
| **Aluminum Company of America** | TRE Corporation | Cash Tender Offer (Pending) | 330,000,000 |
| Heritage Communications, Inc. | **Rollins Communications, Inc.** | Cash Tender Offer | 325,000,000 |
| **Arkla, Inc.** | MidCon Corp. | Acquisition of Mississippi River Transmission Corporation | 305,000,000 |
| Lomas & Nettleton Financial Corporation | **MCorp** | Divestiture of MNet Corporation | 300,000,000 |
| Channel Home Centers, Inc. | **W. R. Grace & Co.** | Divestiture of Grace Retail Corporation | 250,000,000 |
| **Scripps Howard Broadcasting Company** | WXYZ-TV, Detroit, Michigan and WFTS-TV, Tampa, Florida | Acquisition of Assets | 246,000,000 |
| **Becton, Dickinson and Company** | Warner-Lambert Company | Acquisition of Assets of Deseret Medical, Inc. | 225,000,000 |
| Gibbons, Green, van Amerongen Investor Group | **Transamerica Corporation** | Divestiture of Budget Rent a Car Corporation | 205,000,000 |
| **USLICO Corporation** | International Bank | Merger for Cash, Notes and Common Stock | 201,000,000 |
| **The Stanley Works** | Textron Inc. | Acquisition of Bostitch Division | 193,000,000 |
| Chase Manhattan Corporation | **Clark Equipment Company** | Divestiture of Clark Equipment Credit Corporation (Pending) | 191,000,000 |
| National Distillers and Chemical Corporation | **Union Texas Petroleum Holdings, Inc.** | Divestiture of Texgas Corporation | 185,000,000 |
| Samedan Oil Corporation, a subsidiary of Noble Affiliates Inc. | **Texas Eastern Corporation** | Divestiture of Substantially All Domestic Oil and Gas Properties | 176,000,000 |
| KAC, Inc. | **Bethlehem Steel Corporation** | Divestiture of Kusan, Inc. | 163,000,000 |
| **First Boston, Inc. and Walton Monroe Mills, Inc. Investor Group** | Avondale Mills | Leveraged Buyout with Walton Monroe Mills, Inc., First Boston Mezzanine Investment Partnership, and First Boston as Investors | 150,000,000 |
| Zapata Gulf Marine Corporation | **Texas Eastern Corporation** | Joint Venture Merger of Seahorse Inc. | 150,000,000 |
| LPL Investment Group Inc. | **Times Fiber Communications, Inc.** | Merger for Cash | 146,000,000 |
| **Interco Incorporated** | Converse Inc. | Cash Tender Offer | 132,000,000 |
| The Louisiana Land & Exploration Company | **Inexco Oil Company** | Merger for Common Stock | 131,000,000 |
| **Service Corporation International** | Amedco Inc. | Merger for Common Stock | 131,000,000 |
| AHC Acquisition Corp. | **AmeriCare Health Corporation** | Cash Tender Offer | 118,000,000 |
| **Texas Eastern Corporation** | Algonquin Energy Inc. | Acquisition of Remaining 72% Interest | 117,000,000 |
| **Union Pacific Corporation** | Katy Industries, Inc. | Acquisition of Missouri-Kansas-Texas Railroad Company (Pending) | 110,000,000 |
| **Keystone International Inc.** | Anderson, Greenwood & Co. | Merger for Common Stock | 105,000,000 |
| Marine Midland Banks, Inc. | **Westchester Financial Services Corporation** | Merger for Cash | 104,000,000 |
| **Commerce Union Corporation** | Central South Bancorp, Inc. | Merger for Common Stock | 103,000,000 |
| Consolidation Coal Co., a subsidiary of E. I. du Pont de Nemours and Company | **Inland Steel Company** | Divestiture of Inland Steel Coal Company | 100,000,000 |
| **Johnson & Johnson** | Revlon Group Incorporated | Acquisition of Intraocular Lens Business of Frigitronics, Inc. | 100,000,000 |
| **Bowater Incorporated** | Star Forms, Inc. | Merger for Cash | 99,000,000 |
| Louisiana-Pacific Corporation | **Timber Realization Company** | Divestiture of California Properties | 95,000,000 |
| Hartford National Corporation | **First New England Bankshares Corp.** | Merger for Common Stock | 88,000,000 |
| Chicago Title and Trust Company, a subsidiary of Allegheny Corporation | **SAFECO Corporation** | Divestiture of SAFECO Title Insurance Company (Pending) | 85,000,000 |
| Undisclosed Buyer | **Union Texas Petroleum Holdings, Inc.** | Divestiture of Certain Oil & Gas Properties (Pending) | 83,000,000 |
| **Colson, Inc.** | Washington Bancorporation | Acquisition of 80% Interest | 78,000,000 |
| KeyCorp | **Seattle Trust & Savings Bank** | Merger for Cash (Pending) | 74,000,000 |
| Kraft, Inc. and Hughes Markets | **Winn Enterprises** | Divestiture of the Western Division of Knudsen, Inc. | 71,000,000 |
| **The Citizens and Southern Corporation** | Independent Community Banks, Inc. | Merger for Cash | 69,000,000 |
| **Alaska Air Group, Inc.** | Horizon Air Industries, Inc. | Cash Tender Offer | 68,000,000 |
| The Great Atlantic & Pacific Tea Company | **Shopwell, Inc.** | Merger for Cash | 68,000,000 |
| NewCity Communications, Inc. | **Katz Communications Inc.** | Divestiture of 11 Radio Stations | 68,000,000 |
| **Sovran Financial Corporation** | D C National Bancorp, Inc. | Merger for Common Stock | 67,000,000 |
| E Z Communications Inc. | **Affiliated Publications, Inc.** | Divestiture of Affiliated Broadcasting, Inc. | 66,000,000 |
| American Exploration Company | **Union Texas Petroleum Holdings, Inc.** | Divestiture of Certain Oil and Gas Properties | 60,000,000 |
| American Continental Corporation | **Anderson, Clayton & Co.** | Divestiture of American Founders Life Insurance Company | 58,000,000 |
| AQ Corp. | **Aloha Inc.** | Merger for Cash | 57,000,000 |
| **Hibernia Corporation** | Fidelity National Financial Corporation | Merger for Cash and Common Stock | 57,000,000 |
| **Kaman Corporation** | Raymond Engineering Inc. | Cash Tender Offer | 54,000,000 |
| CNW Corporation | **Douglas Dynamics, Inc.** | Merger for Cash | 53,000,000 |
| AmBrit Inc. | **MacAndrews & Forbes Group Incorporated** | Divestiture of Wilbur Chocolate Company | 42,000,000 |
| Hercules Incorporated | **Unisys Corporation** | Divestiture of SP-Microwave Inc. | 42,000,000 |
| **Piedmont Aviation, Inc.** | Empire Airlines, Inc. | Merger for Cash | 42,000,000 |
| **Security Pacific Corporation** | Orbanco Financial Services Corporation | Merger for Cash and Common Stock (Pending) | 42,000,000 |
| KSCI Holdings Inc. | **KSCI-TV, Los Angeles** | Merger for Cash and Notes | 40,000,000 |

Note: First Boston's clients are indicated by bold print.

**In 1986, First Boston's** [illegible] **more than any other** [illegible] **leveraged buyout** [illegible] **its affiliate, Credit S**[illegible]

## DOMESTIC U.S. (Cont'd.)

| Acquiring Company | Acquired, Selling or Target Company | Assignment or Form of Transaction | Approximate Size of Transaction |
|---|---|---|---|
| National Patent Development Corp. Investor Group | **Baxter Travenol Laboratories, Inc.** | Divestiture of Abbey Medical | $40,000,000 |
| **Western Digital Corporation** | Paradise Systems, Inc. | Merger for Common Stock | 35,000,000 |
| Kaydon Corporation | **Koppers Company, Inc.** | Divestiture of Piston Ring & Seal Division | 33,000,000 |
| **Southeast Financial Corporation Holdings, Inc.** | Home Federal Savings & Loan Association of Atlanta | Merger for Cash | 32,000,000 |
| Chase Enterprises | **Anderson, Clayton & Co.** | Divestiture of Ranger Insurance Company (Pending) | 27,000,000 |
| **Fireman's Fund Corporation** | American Express Company | Purchase of 5,000,000 Warrants to purchase shares of Fireman's Fund Corporation | 25,000,000 |
| Management Group | **Kollmorgen Corporation** | Divestiture of Photocircuits Division | 25,000,000 |
| Thermo Electron Corporation | **Allied-Signal Inc.** | Divestiture of Allied Analytical Systems | 25,000,000 |
| Various Investors | **Control Data Corporation** | Divestiture of Security Interests in Centronics Data Computer Corp. | 25,000,000 |
| The Park National Bank | **Society Corporation** | Divestiture of The Richland Trust Company (Pending) | 23,000,000 |
| ISC Group, Inc. | **General Signal Corporation** | Divestiture of Cardion Electronics Division | 22,000,000 |
| **The Citizens and Southern Corporation** | Andrews Bank & Trust Company | Merger for Common Stock (Pending) | 21,000,000 |
| **The Mutual Life Insurance Company of New York** | Unified Management Corporation | Merger for Cash | 17,000,000 |
| The Chase Manhattan Corporation | **Third Century Leasing Group** | Merger for Cash | 16,000,000 |
| Riverside Corporation | **Western States Life Insurance Company** | Divestiture of Alliance Life Insurance Company | 9,000,000 |
| Allied-Signal Inc. | **Becton, Dickinson and Company** | Divestiture of Endevco Division | Undisclosed |
| Amerace Corporation | **First Boston, Inc. and Management of Amerace Corporation** | Repurchase of Shares Funded by Bass Investment Limited Partnership and Thomas H. Lee Company | Undisclosed |
| Am-Law Newspapers Corporation | **Harcourt Brace Jovanovich, Inc.** | Divestiture of Legal Times | Undisclosed |
| Amoco Corporation | **Atlantic Richfield Company** | Divestiture of 36.5% Interest in Headlee Devonian Unit (Pending) | Undisclosed |
| **Asarco Incorporated** | The Standard Oil Company | Acquisition of the Ray Mines Division of the Kennecott Corporation subsidiary | Undisclosed |
| The Bank of New York Company, Inc. | **Security Pacific Corporation** | Divestiture of RMJ Securities Corp. | Undisclosed |
| The Bear Stearns Companies Inc. Investor Group | **Congoleum Industries, Inc.** | Divestiture of Curtis Industries, Inc. | Undisclosed |
| Carter Hawley Hale Stores, Inc. | Carter Hawley Hale Stores, Inc. | Recapitalization (Pending)/Advised **General Cinema Corporation** with Regard to their 38.5% Interest | Undisclosed |
| **The Chart House** | The Pillsbury Company | Acquisition of Certain Assets of Cork'n Cleaver Inc. and Luther's Bar-b-que Inc. | Undisclosed |
| **The Chronicle Publishing Company** | The Worcester Telegram & Gazette Company | Acquisition of The Morning Telegram and The Afternoon Gazette | Undisclosed |
| Chrysler Capital Corporation | **Westinghouse Electric Corporation** | Divestiture of Inventory Financing Division of Westinghouse Credit Corporation | Undisclosed |
| Circon Corporation | **Baxter Travenol Laboratories, Inc.** | Divestiture of American Cystoscope Makers Inc. | Undisclosed |
| The Coastal Corporation | **Texaco Inc.** | Divestiture of Northeast Pipe Lines and Terminals | Undisclosed |
| Combustion Engineering, Inc. | **Koppers Company, Inc.** | Divestiture of Laser System Division | Undisclosed |
| Combustion Engineering, Inc. | **Koppers Company, Inc.** | Divestiture of Sprout-Waldron Division | Undisclosed |
| Contech Construction Products Inc. | **Armco Inc.** | Divestiture of Construction Products Division | Undisclosed |
| CrossLand Savings, FSB | **First Security Corporation** | Divestiture of First Security Realty Services | Undisclosed |
| Cummins Engine Company, Inc. | **Koppers Company, Inc.** | Divestiture of Diesel Piston Ring Operations | Undisclosed |
| The Diamond A Cattle Company and Lonhro PLC | **Atlantic Richfield Company** | Divestiture of Certain Oil and Gas Properties (Pending) | Undisclosed |
| E. I. du Pont de Nemours and Company | **Shell Oil Company** | Divestiture of Agricultural Chemicals Business of Shell Chemical Company | Undisclosed |
| **Eastman Whipstock Inc., a subsidiary of Texas Eastern Corporation** | **Norton Christensen Inc., a subsidiary of Norton Company** | Formation of Joint Venture | Undisclosed |
| **Eaton Corporation** | The Singer Company | Acquisition of Controls Division | Undisclosed |
| Engineered Unit Structures Company | **Koppers Company, Inc.** | Divestiture of Engineered Wood Systems Division | Undisclosed |
| **First Boston, Inc. Investor Group** | **Joyce Beverages Inc.** | Recapitalization of New York Seven-Up Bottling Co., Inc. and Washington Seven-Up Bottling Co., Inc. in connection with §337 Liquidation | Undisclosed |
| **First Boston, Inc. and The Northern Group Investor Group** | Anthony's Manufacturing Company, Inc. | Leveraged Buyout with The Northern Group, First Boston Mezzanine Investment Partnership and First Boston as Investors | Undisclosed |
| First-Knox Banc Corp | **Society Corporation** | Divestiture of The Farmers & Savings Bank | Undisclosed |
| FOC Corporation | **The LTV Corporation** | Divestiture of Fibercast Company | Undisclosed |
| Gibbons, Green, van Amerongen Investor Group | **American Standard Inc.** | Divestiture of American Bank Stationery Division | Undisclosed |
| Gibbons, Green, van Amerongen Investor Group | **Congoleum Industries, Inc.** | Divestiture of Bath Iron Works Corporation | Undisclosed |
| The Goodyear Tire & Rubber Company | **Texas Eastern Corporation** | Divestiture of Automotive Services Division | Undisclosed |
| Grabill Corporation | **Congoleum Industries, Inc.** | Divestiture of Kinder Manufacturing Corporation | Undisclosed |
| Gulf + Western Inc. | **Harcourt Brace Jovanovich, Inc.** | Divestiture of Law and Business, Inc. | Undisclosed |
| Harvard Industries, Inc. | **Trim Trends, Inc.** | Merger for Cash | Undisclosed |
| Hershey Foods Corporation | **Dietrich Corporation** | Divestiture of Luden's Inc. and Queen Anne Candy Company | Undisclosed |
| Hillside Capital Incorporated | **Congoleum Industries, Inc.** | Divestiture of Resilient Flooring Division | Undisclosed |
| Holiday Corporation | **Holiday Corporation** | Recapitalization (Pending) | Undisclosed |
| Home Quarters Warehouse, Inc. | **W. R. Grace & Co.** | Divestiture of Home Quarters Warehouse Division | Undisclosed |
| Investor Group | **The Standard Oil Company** | Divestiture of Certain Operations of The Standard Oil Electro Minerals Company | Undisclosed |
| James River Corporation | **Preco Corporation** | Divestiture of the Premoid Group | Undisclosed |
| Kelso & Company Investor Group | **American Standard Inc.** | Divestiture of Mosler Safe Company Division | Undisclosed |
| Kemmerer Bottling Group Inc. | **Joyce Beverages Inc.** | Divestiture of Joyce Beverages/Midwest | Undisclosed |
| Kemmerer Bottling Group Inc. | **Westinghouse Electric Corporation** | Divestiture of Seven-Up Bottling Co. of Indiana | Undisclosed |
| Kirtland Capital Corporation Investor Group | **Allied-Signal Inc.** | Divestiture of North American Refractories Company | Undisclosed |
| Koch Asphalt Company | **Koppers Company, Inc.** | Divestiture of Central Asphalt Division | Undisclosed |
| Koch Asphalt Company | **Koppers Company, Inc.** | Divestiture of Parr Inc. | Undisclosed |
| Kraft, Inc. | **Pollio Dairy Products Corporation** | Merger for Cash | Undisclosed |
| Landegger Industries, Inc. | **Koppers Company, Inc.** | Divestiture of Container Machinery Division | Undisclosed |
| Lee Capital Corporation | **Koppers Company, Inc.** | Divestiture of Power Transmission Division | Undisclosed |
| Lomas & Nettleton Financial Corporation | **First Security Corporation** | Divestiture of Mortgage Servicing Contracts Portfolio | Undisclosed |
| The Maple Corporation | **Atlantic Richfield Company** | Divestiture of Mesa Pipeline Company and Related Oil and Gas Properties | Undisclosed |
| Marigold Enterprises Inc. | **The Armstrong Rubber Company** | Divestiture of Natchez Tire Plant and Sears and Armstrong Truck Tire Centers (Pending) | Undisclosed |
| **The Mutual Life Insurance Company of New York** | Financial Service Corporation | Merger for Cash | Undisclosed |
| **The Mutual Life Insurance Company of New York** | North American Mortgage Company | Merger for Cash | Undisclosed |
| **O.H. Materials Corporation** | Environmental Testing & Certification Corporation | Merger for Common Stock | Undisclosed |
| Packaging Corporation of America, a subsidiary of Tenneco Inc. | **Ekco Housewares, Inc.**, a company controlled by **Gibbons, Green, van Amerongen** | Divestiture of EZ Por Corporation | Undisclosed |
| R.A.B. Holdings, Inc. | **Whittaker Corporation** | Divestiture of Whittaker General Medical Corporation (Pending) | Undisclosed |
| Ralston Purina Company | **Borden, Inc.** | Divestiture of Drake Bakeries Division | Undisclosed |
| Riordan Freeman & Spogli | **BCI Holdings Corp.** | Divestiture of Webcraft Technologies, Inc. | Undisclosed |
| **The E. W. Scripps Company** | The Evansville Courier Inc. and The Sunday Courier & Press | Acquisition of Assets | Undisclosed |
| **The E. W. Scripps Company** | **John P. Scripps Newspapers** | Merger for Common Stock | Undisclosed |
| Signal Capital Corporation | **The First National Bank and Trust Company of Oklahoma City** | Divestiture of First Asset-Based Lending Group, Inc. | Undisclosed |
| Snap-on Tools Corporation | **ATI Industries, Inc.** | Merger for Cash | Undisclosed |
| Teco Transport & Trade Corporation, a subsidiary of Teco Energy, Inc. | **St. Philip Towing & Transportation Company** | Divestiture of Blue Water Division | Undisclosed |
| **Time Incorporated** | McCall Publishing Company | Joint Venture Acquisition of McCall's, Working Mother and Working Woman Magazines | Undisclosed |
| Transworld Corporation | **Transworld Corporation** | Liquidation and Recapitalization (Pending) | Undisclosed |
| Western Fruit Acquisition Inc. | **Mobil Corporation** | Divestiture of Certain Assets of Superior Farming Company | Undisclosed |
| Wickes Companies, Inc. | **W. R. Grace & Co.** | Divestiture of Home Centers West and Orchard Supply Hardware | Undisclosed |
| **Xidex Corporation** | Charlton Associates | Merger for Common Stock and Warrants | Undisclosed |

Note: First Boston's clients are indicated by bold print.

# The First Boston Corporation
# Credit Suisse First Boston Limited

# Matsushita Electric profits drop 25%

By Our Tokyo and Financial Staff

MATSUSHITA ELECTRIC Industrial, the Japanese maker of consumer electronics products under the National, Panasonic, Technics, and other brands, yesterday reported pre-tax profits down by a quarter in the year to November, at Y187.5bn ($1.25bn) compared with Y250.3bn.

This came on a 7 per cent decline in sales to Y3,169bn from Y3,424bn. The earnings setback—15 per cent at the net level to Y95.1bn—was the first for the company in 11 years, and was blamed largely on the appreciation in the yen over the period.

Domestic sales, which account for just over two-thirds of the total, edged up 1 per cent. Exports, by contrast, slid 21 per cent.

The company also announced a plan to change its year-end to March, in order to fall in line with the Japanese fiscal year.

● Akai Electric, a smaller maker of audio and video equipment, managed to reduce its pre-tax losses for the year to November from Y7.09bn to Y5.09bn, thanks to streamlining efforts.

A pre-tax loss of Y1.5bn is expected for the current six months but Akai is confident of breaking even in the second half.

# Sharp gains for Japan's brokers

BY YOKO SHIBATA IN TOKYO

JAPAN'S BIG four securities houses—Nomura, Daiwa, Nikko and Yamaichi—earned larger increases in consolidated profits than at the parent company level in the year to September, on the strength of expansion in the Euromarket and strong Japanese investment in foreign bonds.

The combined total of pre-tax profits by overseas subsidiaries of the big four brokers reached Y83.3bn ($553.5m), up 2.3 times from the previous year's level, and 1.8 times as large as those earned by the parent companies. On an unconsolidated basis the big four brokers had reported respective year-to-year pre-tax profit gains of 85.3 per cent, 89.2 per cent, 74.1 per cent and 68.2 per cent.

**JAPANESE SECURITIES HOUSES**
Consolidated results (Ybn), for year to September 1986

| | Sales | Pre-tax profits | Net profits |
|---|---|---|---|
| Nomura | 934.56 (+57%) | 428.72 (+86%) | 174.25 (+76%) |
| Daiwa | 594.12 (+59%) | 251.56 (+92%) | 111.78 (+95%) |
| Nikko | 470.76 (+46%) | 209.99 (+77%) | 91.75 (+78%) |
| Yamaichi | 490.73 (+40%) | 180.83 (+68%) | 82.79 (+92%) |

Nomura's consolidated pre-tax profits surpassed Y400bn for the first time to reach Y428.72bn. Its 10 overseas subsidiaries earned 10 per cent of parent company's Y39bn in pre-tax profits, with a Y12bn contribution by its UK subsidiary, up 2.7 times over 1985; Y9.1bn from Hong Kong, up 1.8 times; and Y4.5bn at its US unit, up 1.9 times. Nomura's overseas subsidiaries are likely to pay dividends to the parent.

In line with rapidly expanding overseas businesses, the big four increased overseas staff to 3,696 by the end of September 1986, up 1.5 times from the end of the 1985 year. Capital outlay for expanding office floors and computer networks were rewarded.

US subsidiaries of Nomura and Daiwa won licences for prime dealer status in the US Government securities at the end of last year, and Nomura set up a banking subsidiary in UK last autumn, with the other three expecting to follow in the near future. The four hope to gain further access to earnings opportunities overseas in the current year to September 1987.

# Indonesian airline in red

BY JOHN MURRAY BROWN IN JAKARTA

GARUDA, Indonesia's national airline, made a loss in 1986 of 22bn rupiah ($13.5m), in the red for the fifth year running.

Mr R. J. Lumenta, president of the state-run company, said the loss resulted in part from increased interest payments on the company's $750m foreign debt following a 45 per cent devaluation in September.

Without the foreign exchange losses, Garuda may have broken even this year, according to one Western banker in Jakarta.

Mr Lumenta said the current year's loss could be as much as 52bn rupiah ($31.5m), outstripping the 34bn rupiah incurred for 1985.

Garuda's debt, most of it incurred with purchases of the European-built Airbus in the early 1980s, has wiped out any increase in operating profits the company had earlier projected, after efforts to improve efficiency and cut down on corruption. Mr Lumenta recently admitted that $12m had been lost over the last seven years as a result of ticket fraud and falsified cargo bookings.

Since taking over in 1984, Mr Lumenta has reduced the company's debts from $1.2bn

# HK bank licence for DnC

BY OUR FINANCIAL STAFF

DEN NORSKE Creditbank (DnC) has become the first Scandinavian bank to be granted a banking licence in Hong Kong, which has had no representation from the region among the more than 140 banks registered in the territory.

DnC, which already had a licensed deposit taking subsidiary in Hong Kong, has been given permission to upgrade to full banking status, although it may not have met in full the standard requirements laid down by the regulatory authorities there.

Foreign banks wishing to set up full-fledged operations in Hong Kong most usually meet a minimum size requirement of US$14bn in worldwide assets. DnC, despite being Norway's biggest bank, fell on the borderline but the stipulation was said to have been waived.

The territory's Banking Commission has indicated in recent months that it would be willing to interpret these rules flexibly.

Mr John Simpson, DnC regional director for the Asia-Pacific, said the new branch "will play a vital role in the development of DnC's foreign exchange and capital markets business" in the region.

# K Wah flotation subscribed 210 times

By David Dodwell in Hong Kong

K. WAH STONES, a modest Hong Kong quarrying group, made what is likely to be local stock market history yesterday when an issue of 25 per cent of its share capital, intended to raise HK$110m (US$14.1m) was oversubscribed by at least 210 times, attracting bids worth more than HK$22bn.

The record was set against a slump in local share prices as news of a weaker US dollar, and of the sacking in Peking of Chinese Premier Hu Yaobang, brought to a halt a three-month bull run that has seen share prices rise by almost 55 per cent.

To put the magnitude of K. Wah Stones' achievement into perspective, Cathay Pacific Airways—the internationally renowned Hong Kong airline that was floated in May last year and now has a stock market capitalisation of more than HK$15bn—was oversubscribed 56 times.

That issue attracted HK$51bn and dislocated the whole banking system.

K. Wah is one of Hong Kong's four main quarry operators, producing construction materials, concrete, and concrete products—including pipes. The long-depressed local construction market has seen a strong upturn in the past year. An issue price of HK$1.18 a share values the group at just under HK$430m.

The company predicts attributable profits for the year to March of HK$48m, up from HK$10m.

Yesterday's steep fall in share prices, which follows a slippage of more than 70 points in the last two trading days of last week, was blamed only partly on uncertainty over political developments in China.

Many market operators insisted that prices have always carried an implicit discount for the "China politics factor," while others said that it was far from clear whether the sackings of Hu would disrupt China's open door economic policies.

The fact that HK$22bn of investor money was locked up in the K. Wah Stones flotation also inevitably depressed buying interest.

# Shin-etsu Chemical ahead at mid-term

By Our Tokyo Staff

SHIN-ETSU CHEMICAL, Japan's largest maker of semiconductor silicon and PVC, has reported pre-tax profits of Y8.94bn ($59.4m) in the half-year to November, up 4.5 per cent from the previous year.

Net profits were 3 per cent higher at Y4.12bn, on turnover of Y105.97bn, a dip of 0.8 per cent from a year ago.

The earnings gain was attributed to an improved cost-to-sales ratio, thanks to a fall in prices for basic materials and a rise in its factories' use of capacity.

For the full year, its pre-tax profits are expected to gain 1.4 per cent from the previous year to Y17bn, on sales of Y215bn.

# INTERNATIONAL CAPITAL MARKETS and COMPANIES

## Second recent jumbo for Denmark in Euroyen

BY CLARE PEARSON

ATTENTION in the Eurobond new issues market focused yesterday on a Y100bn deal for Denmark—the second recent "jumbo" deal by the borrower in this sector. The issue took advantage of a firm tone in the Euroyen market which has been buoyed by speculation that Japan will cut its discount rate.

The issue mirrored the terms on the Y130bn bond launched by Denmark last month, except that it has put and call options after four years instead of after three. The 5¼ per cent bond, with a five-year final maturity, is priced at 101¼.

The bond, which was thought reasonably priced, was quoted throughout the day at a bid price of 99¾—a discount equivalent to the level of its total fees. But meanwhile Denmark's Y130bn issue was quoted at 100.10 bid, which dealers said reflected the greater attractiveness of its shorter put option.

The issue had been rumoured for some days, so Nikko was expected to have identified demand ahead of its announcement. It provides an attractive pick-up in yield over domestic bonds for Japanese investors, but Nikko said it had also appealed to European investors.

Swaps out of Euroyen into other currencies are difficult to arrange at the moment, so many borrowers are staying out of the sector despite the firm secondary market.

Trading in the Eurodollar market was slight yesterday because the US Treasury market was closed for a public holiday. But prices developed a weaker tone in the afternoon as the dollar continued to fall.

UBS Securities led a $75m issue for Charter Consolidated, the UK mining, construction and manufacturing group. The deal did not appear on market screens until after it had been syndicated. UBS said this was to avoid adverse market reaction, as the issuer is not well known among Continental investors.

It was priced at a yield spread of about 160 basis points over US Treasury bonds, so that it could be converted by bank investors into a synthetic floating-rate note. The lead-manager

INTERNATIONAL BONDS

said it also had some appeal to retail investors. The $75m seven-year 8½ per cent bond was priced at 100¾.

Yamaichi International led a $50m equity warrants bond for Nishimatsu Construction, the Japanese civil engineering and building company. The par-priced five-year issue had an indicated 3¼ per cent coupon, but the coupon will be set on January 28.

In other currencies, County NatWest Capital Markets surprised the Australian dollar sector by launching two issues, each totalling A$50m, for SEK and Royal Trustco of Canada. The sector had been unnerved last week by a crop of issues that emerged in the wake of a fall in the Australian currency.

Yesterday's five-year issue for Royal Trustco was priced at 101¾ with a coupon of 14¾ per cent. SEK's three-year bond was priced with a 14½ per cent coupon and a 101½ issue price. Both issues were quoted at discounts slightly outside the levels of their total fees.

Hambros Bank launched the first Eurosterling issue of the year for a corporate borrower when it led a £40m five-year deal for GMAC UK Finance, guaranteed by GMAC. The 10¼ per cent deal was priced at 101¾ to give an initial yield of about 15 basis points below that on comparable gilts.

IBJ International led an Ecu 75m 10-year bond for Mortgage Bank of Denmark. Some Ecu traders said this maturity was too long for the Ecu market at the moment, although IBJ said it had found placement for the issue. The 7¾ per cent deal was priced at 101½.

In Switzerland, prices were unchanged on the day in high volume. Hokkaido Electric Power is expected to launch a SFr 150m 10-year deal today.

Oesterreichische Kontrollbank's SFr 200m 4¾ per cent 12-year issue will start trading for the first time today. It was quoted in the grey market yesterday at a discount to issue price of 1½ points on the bid side.

In the D-Mark market, prices of certain issues moved up by between ¼ and ½ point yesterday morning in active trading. During the afternoon, however, activity slackened off in the absence of a lead from New York.

Deutsche Bank led a DM 350m seven-year equity warrants bond for Generale Internationale Finance, guaranteed by its parent, Societe Generale de Belgique. The deal has a coupon of 2½ per cent. The 4½-year warrants can be exchanged for shares in the parent company at a price of BFr 3,450 each, compared with a closing price yesterday of BFr 3,395.

The deal met a good reception and traded at a bid price of 100, its issue price.

Societe Generale is Belgium's largest industrial and financing holding company, with interests including financial services, non-ferrous metals, utilities, communications and chemicals.

● It was incorrectly reported in the Financial Times yesterday that County NatWest Capital Markets did not distribute pro rata among underwriters its $100m increase to $200m in the issue for Belgium, launched last Friday.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 19

US DOLLAR STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — DEUTSCHE MARK STRAIGHTS — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS [illegible]

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amer. Expr. OS Cr. 5⅞ 92 | 20 | [illegible] | [illegible] | [illegible] | [illegible] | 5.86 |
| Denmark 6⅛ 96 | 10 | [illegible] | [illegible] | [illegible] | [illegible] | 5.99 |
| GMAC 5⅞ 91 | 60 | [illegible] | [illegible] | [illegible] | [illegible] | 5.27 |
| EIB 6⅛ 96 | 25 | [illegible] | [illegible] | [illegible] | [illegible] | 5.90 |
| Sweden, Kingdom 5⅞ 95 | 20 | [illegible] | [illegible] | [illegible] | [illegible] | 5.49 |

Average price changes on day −⅛ on week +⅛

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

## US stock exchanges in clearing link moves

By Alexander Nicoll, Euromarkets Editor

US STOCK exchanges, confronted by the expansion of international trading by their member firms, have launched a drive to reduce securities transaction costs through a series of links between clearing systems.

The International Securities Clearing Corporation, a subsidiary of the National Securities Clearing Corporation which dominates the US equity market, has agreed provisionally on a link with Cedel, the Luxembourg-based clearing system.

It is hoping to expand a pilot scheme begun last October linking it with the London Stock Exchange's clearing system, Talisman, and is also talking of a potential link with Euro-clear the Brussels-based system.

International equity trading is dogged by settlement costs, delays and failed trades. Mr Roger Birk, former chairman of Merrill Lynch who has taken on the chairmanship of ISCC, said in London: "Everybody's talking about the structure of international trading, but there has been very little focus on safety and efficiency and the cost of clearing."

NSCC, jointly owned by the New York and American Stock Exchanges and the National Association of Securities Dealers, set up ISCC to meet what Mr John Kinnaman, ISCC president, says was the "strong desire among broker/dealers to clear effectively regardless of where a trade gets consummated."

Salomon Brothers, Drexel Burnham Lambert, Morgan Stanley and Merrill Lynch are hooked up to the London link, which currently handles some 500 trades a day. It is only one-way, aiding US firms' trade in UK-listed equities. Five or six more firms are expected to be added within the next two months, and by the end of the year there could be a total of 25, who would account for the bulk of US trading of foreign shares.

The westbound leg of the link is still awaiting legal clearance, with half-a-dozen London Stock Exchange members interested in joining it. London also has a pilot link with the Chicago-based Midwest Stock Exchange's clearing house.

ISCC has put priority on an early link with Cedel because the latter has a link with the West German clearing system.

● Cedel's turnover rose 58 per cent last year to $1,207bn, reflecting growth of the Eurobond market and addition of new instruments. The number of securities which could be cleared through the system rose 41 per cent to 14,856, and the number of transactions increased 26 per cent to 3.4m. Participants numbered 1,764, an 11 per cent gain, and the amount of securities on deposit rose 48 per cent to $155bn.

## CBOE trades record 180m contracts

By Our Euromarkets Staff

VOLUME ON the Chicago Board Options Exchange (CBOE) rose by 21 per cent last year to a record 180.3m contracts, representing a daily average of 712,877 and 62 per cent of all US options trading.

Options on the Standard and Poor's 100 index remained the most active contract in futures and options markets worldwide. Total volume was 113.1m contracts, a daily average of 447,237 contracts and 25 per cent up on 1985. Trading was boosted by the volatility of the underlying stock market.

Individual equity options also had higher turnover, reversing the downward trend of the previous three years in which business was taken away by the growth of index options. Volume rose 13 per cent to 64.7m contracts.

## Japanese investment trusts surge

By Yoko Shibata in Tokyo

THE VALUE of new investment trusts set up in Japan last year reached a record Y29,377.1bn ($190.9bn), up by 43.6 per cent from 1985.

The balance of net assets at end December reached Y32,075bn, an annual increase of 60 per cent. The country's Investment Trust Association says that if the current trend continues, the balance of net assets will exceed Y50,000bn by the end of this year.

Sales have soared especially since August when the Ministry of Finance removed limits on the sale of the most popular "spot investment trusts." Because of falling interest rates last year, investment trusts became particularly popular among investors seeking high yields.

Initially, investment trusts were developed to cater for individual investors, but have begun to attract Japanese companies, especially financial institutions. Buying of stock investment trusts by corporate investors increased 10-fold to Y3,000bn in 1986.

Alexander Nicoll on Andrew Large, The Securities Association chief

## A banker rather than a regulator

WHEN THE new self-regulatory structure for British investment businesses was first conceived, the name of Andrew Large would not have sprung to the lips of those guessing who would head the body overseeing London's securities markets.

Such was the gulf between the domestic stock and bond markets and the international capital markets for which London has for years been the hub, that few people in what was traditionally referred to as the City—the domestic markets—would have heard of him.

His is, however, a name that will be heard more from now on. At the turn of the year, Mr Large, the 44-year-old chief executive and deputy chairman of Swiss Bank Corporation International, became the first chairman of the Securities Association.

Despite a career spent with foreign banks, he will thus be heading the self-regulatory organisation (SRO) responsible for authorising and monitoring all firms dealing in securities in London, both on the Stock Exchange and outside it. SROs will work under the aegis of the umbrella regulatory body, the Securities and Investments Board.

In common with other practitioners newly thrust into regulatory roles, Mr Large is presiding over a number of highly sensitive changes, including the first full-scale regulation of the Euromarkets, and the arrival of new blood in senior positions at the Stock Exchange, in the form of representatives of foreign firms which now play a significant role there — less than a year ago, they were still excluded from membership.

He also takes on the job at a time when the City is meeting heightened public scrutiny and calls for tighter regulation as a result of the Guinness, and other, insider trading scandals.

Due both to regulation and the globalisation of financial markets, barriers between the domestic and international sectors are breaking down. In practice, this means that foreign securities firms are playing a growing role in domestic markets around the world. Mr

Mr Andrew Large, chief executive and deputy chairman of Swiss Bank Corporation International

Large's bank is a case in point as it is devoting substantial resources to expanding in the world's largest equity markets.

Neither Mr Large's background nor his demeanour marks him out as a man likely to break the mould. Yet he combines at least some of the qualities needed for such a tricky role.

He is—and given the extent of London's revolution, it should not be taken for granted—British. He is confident and well-spoken as one would expect from a successful British banker educated at Winchester and Cambridge, and he does not have the brashness of which the Euromarkets have been suspected by the City traditionalists.

Yet he is a man who has made a mark in the Euromarkets. After beginning his career in marketing with BP, he joined Orion Bank, then a growing consortium bank, in 1971 and eventually became a managing director. In 1980, he was one of five executives who left Orion to found SBCI as the London-based investment banking arm of the Swiss bank.

SBCI now employs 380 people, including 80 in Tokyo. It is prominent in the Eurocommercial paper and Eurobond markets, and has recently focused on international equities, handling for example the European portions of British Gas.

"Entry has been freer into the international capital markets than used to be the case in domestic capital markets," says Mr Large. "Orion started as nothing but broke in. At SBCI, though we started with the name of a very illustrious bank behind us and that has been a huge help to us, we nonetheless had to get ourselves established as an organisation. It was possible.

"The international capital markets started with the strength that there were not any rules. There was nothing there, there was just a void. People could put their minds to work and get their shoes worn out running round the world with ideas about how capital could be supplied to those who demanded it."

Given this freedom, the disclosure that the British Government's investor protection law, now enshrined in the Financial Services Act, would encompass the Euromarkets came as a severe shock, and Mr Large was among those who founded a body — which turned out to be a precursor of the Securities Association — to handle the Euromarkets' response to the draft law.

Mr Large accepts the onset of Euromarkets regulation as unavoidable rather than necessary. "There comes a time in the development of any market when its size and the nature and number of people that it embraces become such that governments simply cannot sit by."

But he has few preconceived ideas about the new self-regulatory system. What is important, he says, is that practitioners devote time to ensuring that rules square with market reality. "The one thing you can never forget in an international business is that it does not matter what rule is imposed by any government, if that rule does not meet the way that the market operates or the requirements of the investors and borrowers, then they will go and do it somewhere else."

Mr Large sees himself determinedly as a banker rather than a regulator, and expects the chairmanship of the Securities Association to take up one day of his time per week, though he admits it could be rather a long day.

In the long run, however, he is not yet convinced that self-regulation itself will work, though he does believe in practitioners being involved to the maximum extent possible at a time of such revolutionary change in the markets, in the City structure, and in investor protection law.

"A self-regulatory environment is the best way of achieving it in that formative time. I do not believe that one can say that has to be the end of the road. It is too early. We will have to see how it works."

## Paris adds to continuous market

BY GEORGE GRAHAM IN PARIS

THE Paris Stock Exchange will this week take another step forward in its modernisation with the addition of nine new stocks to its still limited continuous market.

The move will take the number of companies quoted on the computerised continuous market to 45, and Paris Bourse officials hope to have more than 100 companies quoted continuously by the end of the year.

Most French equities are still traders in a single short session on the floor of the Bourse, where all buying and selling orders are collated in order to fix a price. The Bourse created a morning session for some active stocks last spring and in June opened the continuous market.

The continuous market is handled on the Cats computer system of the Toronto Stock Exchange.

## German insurers invest abroad

BY ANDREW FISHER IN FRANKFURT

WEST GERMAN insurance groups, whose assets topped DM 500bn ($278bn) last year, have been investing steadily in foreign securities while hesitating to spend heavily on German shares, the Bundesbank said.

The insurance concerns were interested above all in security of investment, the bank said in its monthly report. Thus shares and direct stakes in companies had only a subordinate role in their investment policies, though the insurers' share purchases were now picking up.

The proportion of German shares in the overall securities holdings of the insurance groups fell from 11 per cent in 1978 to 7 per cent at end-1984. This was only 2 per cent of total investments, including non-securities assets such as property.

# UK COMPANY NEWS

Nikki Tait on the proposed merger between Oxford and UEI

## Looking for the magnetic attraction

AN AIR of uncertainty surrounds news of the £450m merger talks between Oxford Instruments and UEI.

The final details of the link-up have yet to be settled — that should be known later this week — though by yesterday evening there seemed little doubt that terms would be struck.

But City has yet to be convinced that the deal has much industrial logic.

"It looks a bit offbeat," was the typical reaction from one company-watcher. "I'd say we're sceptical," adds another.

At face value there seems to be little overlap between the two businesses. Oxford Instruments is the high-flying brainchild of Sir Martin Wood. It was — quite literally — born in his garden shed, as an offshoot from research into magnetic fields carried out at Oxford University's Clarendon Laboratory.

The company, formally founded in 1959, came to the stock market in 1983 at a striking price of 285p. At that stage, its business was heavily concentrated in the production of high-powered magnets used in medical body scanning.

Sir Martin—then plain doctor—handed over the day-to-day running of the business to current chairman, Mr Barrie Marson, though remains on the board.

Three years in the public arena have produced as many reactions from investors. Having first been treated with a degree of wariness, the company's excellent profit figures—£3.79m in the year to March 1984, £9.16m in 1984-85 and £17.2m for the past year—won it a strong band of followers.

Mr Barrie Marson, chairman of Oxford Instruments

**There is little overlap between the two businesses and City analysts need to be convinced of the industrial logic behind the proposed £450m get-together**

The share price climbed to a high of 578p last year, suggesting a prospective p/e in the mid-twenties.

Then came the interim figures in early-November. Although almost £2m higher at £8.5m, they were well short of analysts' expectations, which ran to the £10m level. Worse, the City began to get wind of problems ahead.

Oxford supplies around 85 per cent of the world's imaging magnets and two-thirds of this turnover goes to the US. Demand from the largest teaching hospitals for the highly expensive scanners was largely satisfied and recent changes in US tax legislation—limiting capital allowances in the medical field—depressed orders, and prompted cost-cutting by other institutions.

Oxford has fought back with the introduction of a new low-cost magnet, and scanners using this went on exhibition at the end of last year.

But the fear is that by the time the orders come through in bulk, some of Oxford's technical lead may be evaporating.

The company, says one follower, was "shocked and shattered" by the fall in its share price to a low of 379p—down 82p in one day.

Some profit forecasts still range up to £22m in the current year. But growth in a key business area is under threat, and the company itself has been diversifying—most notably with the £9m purchase of the privately-owned Plasma Technology last September.

Plasma develops and manufactures research-oriented plasma etching and equipment used in the processing of semiconductors.

It is here that the key to the link-up with UEI looks likely to rest.

UEI is a mixture of engineering and electronics. While the profits from the engineering side—dominated by Cosworth which designs, develops and manufactures motor racing engines—have tended to remain static at around the £3m mark over the past few years, the electronics division has proved a powerful profits motor—up from £8.2m in the year to January 1984 to £11.3m in 1985-86.

The electronics side breaks up into three main areas—Quantel, which develops digital image processing techniques for television and graphic art industries, Link Analytic, which makes scientific, medical and industrial analysis equipment and SSL—purchased in August 1986—which makes audio mixing systems.

The most obvious link between the companies is Link Analytic, which now represents around one-fifth of UEI profits. Oxford's strong US sales presence could help UEI; the financial strength of a combined group could aid both in terms of R&D.

But, longer-term, there is a feeling that combining forces in the semi-conductor tooling business—assuming that market does eventually pick up—could prove another beneficial force.

Yesterday, the two companies were anxious to stress that the merger was something both sides had considered for a while.

Certainly from Oxford's point of view it looks timely. But shareholders at UEI—a large chunk of whose business is well outside the Oxford ambit—may take a little more convincing.

## Australian offer for IIS up to £58m

By Richard Tomkins

Panfida Capital, the Sydney-based vehicle bidding for "Investing in Success" Equities, yesterday increased the value of its offer for the trust from £55m to £58m.

The increased offer is the higher of a cash payment equal to 97 per cent of net asset value calculated on a formula basis, or 850p a share. The loan note offer has been correspondingly increased and its coupon raised to 8 per cent.

Panfida says its offer values each "Investing in Success" share at 857p on current estimates, and it will not be increased. The Panfida group and persons acting in concert with it now hold 28.7 per cent of their target's share capital, buying TWA shares

"Investing in Success" said the increased offer was still inadequate and it would be recommending shareholders to reject it.

"The majority of our remaining shareholders have significant capital gains tax liabilities and in our view they should be offered a paper alternative," said the trust's Mr Roger Noddings.

"Investing in Success" was looking at alternative possibilities, the most likely of which appeared to be unitisation or a shortening of the trust's life.

Mr Noddings said unitisation would offer shareholders a net asset value on the same formula basis of nearer 99 per cent than 97 per cent. It would also give shareholders a paper alternative to Panfida's cash offer.

## St. Regis helps David Smith to over £10m

BY TONY JACKSON

David S. Smith, the fast-growing and acquisitive papermaker, has quadrupled its pre-tax profits from £2.55m to £10.16m for the six months to November 1986. With the inclusion of five months' contribution from St Regis—acquired last summer for £74m—sales have jumped from £17.69m to £94.31m. Earnings per share are up 71 per cent at 8.7p.

Mr Richard Brewster, chief executive, said profits were ahead in all activities. St Regis had made operating profits of £7.3m in five months, compared with a pre-tax total of £9.2m in its last full year to December 1985.

The remaining businesses had contributed £3.2m at the interim, compared with £2.3m the year before. Mr Brewster said the increase was due to strong markets in the specialised areas of packaging, in which these companies operated.

In addition, previous significant capital expenditure at another recent acquisition, Abbitrin, had started to produce benefits.

Mr Brewsters said three of the four managers who had headed the buy-out of St Regis from its US parent in 1985, had left, with executives from Abbitrin now in charge of the packaging side.

The less specialised parts of the packaging business remained under pressure, and it was unlikely that forthcoming increases in the price of kraft liner—raw material for packaging board—could be immediately passed on to the customer.

The £15m net debt incurred with the St Regis acquisition had been reduced through operational cash flow, and was ranging between £5m and £10m. "This gives us the opportunity to step up investment in order to provide extra capacity to meet the demands in the market place for our specialist papers and boards," Mr Brewster said.

Capital expenditure in the current year would be around £10m, chiefly on projects already planned by the previous St Regis management.

The interim dividend is increased by 25 per cent to 1.75p. The shares closed at 286p, up 6p.

● **comment**

Mr Brewster is proceeding smoothly with his strategy of turning the old men of the industry out to grass. St Regis is clearly felt to be digested already, and in the turbulent conditions of the UK industry, bigger purchases could easily present themselves. Alternatively and perhaps more worrying, the group has ambitions in the US—though that might at least mean gearing up the balance sheet, rather than hitting the market with more paper.

Meanwhile, a $35 per tonne increase in the kraft liner price in late March will add close on £300,000 to costs, and the group is clearly looking to get rid of the commodity parts of St Regis before the need for industry rationalisation becomes even more urgent. Pre-tax profits could reach £22m for the full year, putting the shares at a considerable premium to the sector on a forecast multiple of 15. Some of this is clearly justified for a dyanmic performer in a mature industry, but as the acquisitions get bigger, the risks have to be priced as well.

## Connells facing hostile bid

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Connells, the expanding independent estate agents, yesterday disclosed that it was fending off a bid from an unspecified buyer.

The offer it received is conditional on it being recommended by the Connells board. But "the board does not consider the offer to be one which could be recommended to shareholders," a Connells statement said.

Disclosure of the offer led to an active market in Connells shares which climbed up to 321p before closing yesterday at 315p for a gain on the day of 10p. At this closing price, the market valued Connells at £54.2m taking into account deferred consideration shares due to be issued this year as a result of recent acquisitions.

At a price of this order, reflecting the fact that Connells has 74 offices, a potential bidder is likely to have ample resources. The main groups vigorously taking over chains of estate agents have so far been Prudential Assurance, Lloyds Bank, Hambros and the Nationwide Building Society.

Mr John Simson, the Connells chairman, refused to divulge the name of the bidder or the nature of the offer but made the point that he had always seen the strength and future prospects of the group as coming from its independence.

Last year Mr Simson poured cold water on the efforts of financial institutions to build up estate agent chains: the principal purpose of an agency is not "to act as a funnel for the force-feeding of financial products," he said.

Legal and General in fact holds 9.1 per cent of Connells, but it has never been assumed that this holding would be the precursor to a bid. The second largest shareholder of Connells is Investors in Industry Group with 8.1 per cent.

Connells came to the market in 1984. Last year it had a rights issue to raise £6.59m and since 1985 it has acquired five other chains of estate agents, most recently Surrey Commercial Holdings. In the half year to last June, pre-tax profits were £2.04m against £760,000 for the same period of the previous year and £2.2m for the whole of 1985.

## Brooke Tool margins under pressure

SECOND-HALF profit at Brooks Tool Engineering were little changed at £630,000 leaving the group with overall pre-tax figures up 14 per cent from £1.06m to £1.21m for the year ended September 30, 1986.

The company said the increase was specially creditable in view of the difficult business climate and pressure on margins encountered during the second six months.

As forecast in October at the time of the acquisition of the Moore Manufacturing Company and Edgar Allen Tools, there is a final dividend of 0.825p. This makes a net total of 1.45p (1.25p) per 5p share on the increased capital.

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Turnover for the year rose 15 per cent from £11.02m to £12.71m. After an increased tax charge of £417,900 (£282,700) earnings per share edged ahead from 3.3p to 3.4p.

As a result of the recent acquisitions, costing £2.5m, the group's net tangible assets increased by £2.65m. The company said it would incur costs during the current year in order to reorganise these companies, realign their capacity and achieve substantial cost savings all of which however, would benefit the group in the future.

These reorganisation and start-up costs and the current pressure on margins would have some limited effect on the profit growth in the short term, the company warned.

It added however, that its continuing policy was to build upon the success achieved in recent years and to lay the foundations for securing the future expansion of the group and its profits.

The new distribution centre in the Ruhr, West Germany, is due to be operational later this year.

● **comment**

Brooke Tool was rescued three years ago after four subsidiaries went to the receivers and it has now reached that difficult point where the benefits of recovery have all been absorbed and profits growth becomes harder to achieve. Turnover increased last year, thanks to increased sales at British Coal (around 25 per cent of the total) following the end of the miners' strike. But margins were squeezed as steel prices and wages increased and, with the tax charge bouncing up towards 35 per cent, earnings per share were virtually stagnant. The two acquisitions should push up profits this year, although the full impact might be limited by rationalisation costs, but the pressure on margins is likely to continue. Pre-tax profits of £1.8m would put the shares at 37p, on a prospective p/e of around 10, and they are unlikely to prove very exciting for the foreseeable future.

BELVOIR PETROLEUM Corporation said that at the second date of the offer for all the share capital of Sherwood Oil, acceptances had been received in respect of 21,848,490, representing 96.7 per cent, and of the votes attributable to the share capital of Sherwood and in respect of 3,106,488 Sherwood warrants amounting to 85.1 per cent. The offer closes on January 30.

## ILG stake in Horizon Travel

International Leisure Group yesterday confirmed that it was the owner of the mystery 3 per cent stake in rival operator Horizon Travel.

Horizon had threatened to disenfranchise the shareholding unless Management Services, the Swiss holding company, revealed the name of the beneficial owners.

Mr Peter Smith, International Leisure's group managing director, described the stake as a "trade investment" but would not comment on whether it would be increased or sold.

Mr Bob Muckleston, Horizon's chief executive, said yesterday that he was "mildly amused" at the news of the International Leisure stake.

Bid speculation has centred on Horizon since news of the 17 per cent stake of Mr Ron Brierley's IKP, and at first it was believed that the mystery 3 per cent holding was linked to IKP. Horizon's shares closed 1p lower at 145p.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims:—Cantors, Clarke Hooper, Matthew Clark, Hampson Industries, Kewill Systems.

Finals:—Blick, Burndene Investments, Cresent Japan Investment Trust, Energy Resources and Services, Fil Group, LPA Industries, Lookers, New Tokyo Investment Trust, TSL Group.

FUTURE DATES

Interims:—

| | |
|---|---|
| Allsa Investment Trust | Jan 29 |
| Elbief | Feb 12 |
| Eve Construction | Jan 28 |
| Home Farm Products | Jan 29 |
| Property Security Invest. Tst. | Feb 3 |

Finals:—

| | |
|---|---|
| Ericsson | Feb 16 |
| Laing Properties | Mar 17 |
| Telephone Rentals | Apr 14 |
| Thomas French | Jan 22 |
| Throgmorton Trust | Jan 27 |

### COMPANY NEWS IN BRIEF

JOHN PERKINS (MEATS) USM-quoted wholesaler, announced operating profit down from £601,000 to £281,000 for the year to September 27 1986. Tax £71,000 (£216,000) and an extraordinary charge of £85,000. Earnings per share 2.19p (4.4p). The final dividend is 0.6p making an unchanged total of 1.2p. The company reports that the acquisition of additional facilities is contributing to the better results being experienced at the start of the current year.

COMBINED TECHNOLOGY Corporation has entered into an agreement whereby its subsidiary, Leisuremaster, will sell to Moseley Group (PSV) the coach businesses it operates from depots at Dunstable and Loughborough. Total consideration of £1.05m cash will be used to reduce group indebtedness. Moseley is one of the UK's principal distributors of public service vehicles.

PENINSULAR AND ORIENTAL Steam Navigation Company's acquisition of European Ferries has been approved by shareholders and the offers have become unconditional. The offer was accepted in respect of 128.08m ordinary shares (55.15 per cent) and 40.22m (54.2 per cent) of the convertible preference shares. P & O, with its previous holdings, now has 78.83 per cent of the ordinary shares and 75.11 per cent of the preference shares. The offer remains open until further notice.

Samuel Heath (maker of giftware and hardware) reported a downturn in pre-tax profits from £104,000 (£79,000 in the six months to September 30 1986). Tax £28,000 (£42,000). Turnover increased from £2.47m to £2.72m but the company, which earns the greater part of its profits during the second half, states that it is most unlikely to achieve last year's results. Earnings per share 8.2p (9.9p).

## US stake in Argyle Trust

Lausadia National Corporation, a New York financial group which has recently acquired a reputation as a corporate raider, has built up a stake of 5.03 per cent in Argyle Trust of the UK.

Neither Leucadia nor Argyle, also a financial services group, would comment on the holding yesterday. Argyle's shares closed at 120p, up 6p.

## Sovereign Leasing advances by 77%

Pre-tax profits of Sovereign Leasing increased by 77 per cent from £203,389 to £359,544 for the six months to December 31 1986, maintaining the momentum created during the year to June 30 when profits rose from £459,723 to £556,881.

This close company has capitalised a further £350,000, taking its issued share capital to £1.75m.

The directors said the second half had started well and they had no doubt that 1987 would be a record year. It was now actively involved in car leasing and that would be an area of considerable growth, they said.

Turnover for the opening half rose from £2m to £3.94m. and operating profits climbed from £338,223 to £734,575.

### DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div | Total for year | Total last year |
|---|---|---|---|---|---|
| Brooke Tool | 0.83† | — | 0.75 | 1.45 | 1.25 |
| City and Foreign | 1 | — | 1 | 1 | 1 |
| Coline Intl. | 1.35‡ | May 26 | — | — | — |
| Country Props. | 2.6 | Apr 6 | 2.25 | 4.3 | 3.5 |
| Electronic Rentals int | 1.17 | — | 1.17 | — | 3.23 |
| FII | 3.8 | — | 3.26 | 5.3 | 4.62‖ |
| Gold Greenlees int | 1.2 | Mar 9 | — | — | 1 |
| Jersey Electricity | 15 | Feb 21 | 11¶ | 20 | 15¶ |
| KLP Group | 2.5†‡ | Apr 6 | 1.8 | 4 | 3 |
| Park Food int | 1.55 | — | 1.4 | — | 4.2 |
| Peerless int | 2.35 | — | 2.1 | — | 6.3 |
| John Perkins Meats | 0.6‡ | — | 1.2 | 1.2 | 1.2 |
| David Smith int | 1.75 | Mar 17 | 1.4 | — | 4.2 |

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For nine months to September 1985. ‖ Irish currency.

# UK COMPANY NEWS

## ERG declines to £7.3m after losses at Connect

BY ALICE RAWSTHORN

**Electronics Rentals Group**, the television rental and retail concern, watched its shares fall by 8p to 52p yesterday on the announcement of a fall in interim profits from £7.74m to £7.27m caused chiefly by unexpectedly high losses at Connect, the recently acquired electrical retail chain.

When ERG first acquired Connect, as part of the Telefusion business it took over in October 1985, it envisaged sustaining a modest loss. But it since concluded that the investment involved would be, in the words of Mr David Hurley, the managing director, "too long term and too expensive."

Accordingly ERG has decided to integrate Connect with Visionhire. The Connect name will continue to be used in its 15 shops in Northern Ireland.

Despite difficult trading conditions, Visionhire fared relatively well in the first half, according to Mr Hurley. Profits growth was impeded, however, by the cost incurred in introducing new technology to both Visionshire and to Serviscope, the service company.

The UK consumer electronics division, which encompasses Visionhire, Connect and Serviscope, increased turnover to £98.59m (£72.42m), but profits before interest fell to £6.82m (£11.2m). Rental overseas and business systems fared better, however, increasing turnover to £24.3m (£16.27m) and £16.34m (£10.41m) and profits to £3.15m (£2.52m) and £1.82m (from a loss of £857,000) respectively.

As a group ERG's turnover increased to £143.53m (£103.72m) and its trading surplus to £52.04m (£47m). Depreciation rose to £38.69m (£33.2m). Borrowings have been reduced by around £7.5m and should be reduced by £20m to around £85m by the end of the year. Earnings per share fell to 1.5p (1.8p) and the board proposes an unchanged interim dividend of 1.16p.

Mr Hurley says that, on current indiactions, the second half should muster an improvement on the first half of the year, enabling the group to increase profits for the year as a whole.

**● comment**

Gone are the days when ERG ranked regularly among the whizziest stocks in its sector. The City had braced itself for a lacklustre set of results, although even ERG's fiercest detractors could scarcely have suspected they would be quite so lustreless. Connect was simply too young and too small to survive in the intensely competitive sphere of electrical retailing and withdrawal was the only sensible option. ERG has succeeded in improving efficiency at Visionhire, both Serviscope and the new retail activities are faring well, and the reduction in borrowings is cheering. But profits should rise to little more than £17.5m (£16.5m) in the current year and the new opportunities which could be created by satellite television are far away in the early 1990s. Until then even the most sympathetic analysis suggests that ERG's share price will only wax and wane with bid rumours. And, in the short term at least, there are no likely bidders in sight.

## Profit rise expected by Park Food

**Park Food Group**, the UK's largest packer and supplier of Christmas hampers, looks set for a record year following a successful Christmas trading period.

Mr Peter Sherlock, the chairman, said he was confident that following the record throughput of hampers, profit for the current year to March 31, 1987 will exceed the £2.27m of the previous year.

In keeping with the pattern established since the flotation in 1983, the group, by nature highly susceptible to seasonal influences, incurred a deficit of £2.26m against a previous £1.81m in the six months to September 30, 1986 on turnover up from £3.45m to £9.73m.

The interim dividend is increased from 1.4p to 1.55p.

## Publishing Holdings to join the Third Market

BY ALICE RAWSTHORN

*Publishing Holdings*, which specialises in financial publishing and marketing, intends to join the Third Market, the Stock Exchange's new forum for dealings in the shares of small companies, when it opens next Monday.

The company's shares are currently traded on the over-the-counter market. It proposes to transfer to the third tier in order to "ensure that our shares are more easily marketable," according to the managing director, Mr. Ivan Elliott. The stockbroker, Greig Middleton, will act as the sponsor to the issue.

Publishing Holdings was formed three years ago and has traded on the OTC market for two years. It runs three financial publications, including What Mortgage, and three leisure magazines. It also owns the British Investors Database, which provides lists of shareholders, and a direct mail concern. The company is capitalised at £1.8m.

In its last financial year Publishing Holdings produced pre-tax profit of £127,000 on turnover of £3.3m. In the current year to February 28, it expects profits of around £190,000 on turnover of £5m.

The Stock Exchange expects as many as 20 companies to trade their shares on the Third Market's first day of dealings. The companies which have already indicated their intention of joining the market include the Unit Group, a manufacturer of timber pallets; Corton Beach, a holding company; and Theme Holdings, which operates a chain of London restaurants.

## Peerless leaps 73% to £1.4m

**Peerless**, the plastic container manufacturer, reported a 73 per cent rise in pre-tax profits from £806,000 to £1.4m for the six months to September 30.

The company moved back into the black with its full-year figures to March 1986 after selling its kitchen furniture interests.

Restructuring has continued during the first half, with the loss-making Peerless Control Systems sold for £0.13m and the Galegate taximeter business for £0.1m.

Directors announced a 12 per cent dividend rise from 2.1p to 2.35p.

Mr William Jordan chairman, said the group's earning pattern was now equal between the two halves of the year, and he expected second-half results on broadly the same lines.

Turnover rose marginally to £20.9m (£20.15m) and tax took £0.512m (£0.32m). Despite extraordinary items of £0.19m (£22,000) after the disposals, and a higher dividend, retained profit has doubled to £0.38m (£0.19m). Earnings per share rose by 81 per cent to 6.7p (3.7p).

The improvement stemmed both from the elimination of loss-making activities and organic growth, said Mr Jordan.

## Cookson purchase

**Cookson**, the manufacturer and supplier of specialist materials for industrial use is increasing its exposure to the high technology metals field via the purchase of Titanium International, the UK's second largest titanium distributor.

The acquisition, which also includes Titanium's subsidiary Nickel Stockholders International, is to be satisfied by a cash consideration of £1.15m.

Last year, West Midlands-based Titanium International had a turnover of £7m with the aerospace industry accounting for around 50 per cent of sales —customers include British Aerospace, Lucas and Rolls Royce.

Mr Michael Henderson, Cookson's group managing director, states that Titanium International will be integrated into the Cookson Fry division and will "contribute to the division's progress in the field of the development and processing of high technology metals."

Cookson announced pre-tax profits of £43m in the six months to June 30 1986.

## Smallbone buys

**Smallbone** has acquired Pipe Dreams (London) for £280,000, plus up to a further £308,000 depending on profits for the four years to 1990. The consideration will be met mainly by the issue of shares.

*Pipe Dreams* retails luxury bathroom fittings and sanitaryware, from premises in Primrose Hill, London NW. In 1985 it made a pre-tax profit of £10,376 on a turnover of £838,613; for the ten months to October 1986 unaudited management accounts showed a profit of £40,291 from turnover of £992,417.

## Lopex expands

**Lopex** has agreed to acquire HVR Advertising, a leading Netherlands agency, for Fls 3.65m (about £1.16m). That will be financed from local cash resources and bank facilities, and be payable as to half on completion and the balance in July 1988.

HVR's profits for 1986 have been warranted by the vendors at not less than a maintained Fls 1.4m (£440,000) pre-tax and Fls 820,000 (£260,000) net. Billings run at some Fls 57.3m (£18.2m).

## Hardanger confidence

**Hardanger Properties'** chairman, Mr Derek Coombs, told the annual meeting the company was confident that the current year woud see another increase and another record in the group's trading profits and net assets.

## Rising KLP set for expansion overseas

BY ALICE RAWSTHORN

THE **KLP Group**, the sales promotion consultancy which is quoted on the USM, yesterday announced a 41 per cent increase in pre-tax profits to £2.09m after a year of growth in every area of activity.

In the course of the year the company staged a series of acquisitions — KPA Marketing, Merchandising Sales Force, Livre Loisirs in Canada and EDI Conseil in France—all in the sphere of sales promotion.

All four businesses have, according to the chief executive Mr Colin Lloyd, now been integrated. KLP has also, since its year end, opened new operations in the areas of direct mail and telephone marketing in the UK.

For the future, acquisition activity will be concentrated overseas. KLP eradicated its borrowings after a rights issue in March and is now eager to expand again.

Mr Lloyd says that the company plans to expand in the UK within direct mail and telephone marketing by acquisition, but the chief priority is to move into the US, Far Eastern and Australasian markets.

According to Mr Lloyd, KLP is already established as the largest specialist promotions group in Europe and proposes to have set up operations in six international centres by 1990, thereby becoming the largest group in the world.

In the year to September 30, KLP increased turnover to £29.1m (£19.4m). The tax rate was reduced, because of tax losses in recently-acquired Odhams Leisure, producing a tax charge of £571,000 (£505,000). Minority interests subtracted £106,000.

The comparable figures for the 1985-86 financial year have been restated to include KPA Marketing and Merchandising Sales Force.

Earnings per share rose to 24.31p (18.87p). The board proposes to increase the net dividend to 4p (3p), via a 2.5p final.

Mr Lloyd is confident about the prospects for the current financial year, anticipating continued growth in the core business and an improved performance from the newly acquired companies.

**● comment**

Sales promotion has emerged as one of the most fertile areas of the marketing services sector and KLP, like almost every other publicly quoted promotion group, has benefited from the boom, yet its share price has been distinctly sluggish. The stream of shares issued for acquisitions offers one explanation; the climate of uncertainty created by the 18 month old Asda legal case offers another. The company intends to tackle the first problem by restricting future acquisition activity to cash transactions; and the second by reaching an out-of-court settlement with Asda. The combination of sustained organic growth and enhanced contributions from acquisitions — EDI, for example, will make its first full contribution this year — should produce profits of £2.75m putting the shares on an undemanding fully diluted prospective p/e of 11 on yesterday's share price which rose by 2p to 292p.

## Smith Whitworth in black

**Smith Whitworth**, Rochdale-based maker of textile machinery, started the 1986-87 year in profit with a pre-tax figure of £12,502, against losses last time of £129,128. Directors said the result was in line with expectations but it was down compared with the £61,000 profit of the second half of the previous year.

They added that the second half would not show a significant change. However, the company had recently received sizeable contracts which they expected would be reflected in the next year.

Turnover for the six months to the end of Septmber 1968 was up at £1.77m (£1.46m). There was again no tax charge.

**JERSEY ELECTRICITY COMPANY** (electricity suppliers): Final dividend 15p (11p for nine months to September 1985) making 20p (15p), for year ended September 1986. Turnover £24.17m (£20.62m) and pre-tax profit £4.61m (£2.47m). Tax £109,655 (£220,483), exceptional credit £249,783 (£716,000) and extraordinary credit £238,324 (nil).

# Wigfalls interim losses up but recovery expected

**Wigfalls**, the Sheffield-based electrical goods retailer, reported increased pre-tax losses of £697,000 for the 28 weeks to October 11, 1986, against £539,000 for the same period of 1985.

The result included a reduced profit of £71,000 (£178,000) from property transactions, but benefitted from a considerably lower interest charge of £347,000 (£645,000) due to a continuing reduction in borrowings—although lower interest rates also helped.

On prospects, Mr Gordon Hazzard, the chairman, said Wigfalls had operated at a profit for each of the three months following the half-year end and given reasonable trading conditions, the company expected to recover fully the first-half loss. The year's final result would however, include a number of non-recurring charges.

Mr Hazzard said the early autumn was difficult, but sales in November were healthy and in total pre-Christmas sales were encouraging.

Sales of video recorders, portable colour TVs and compact disc players were particularly good, but sales of some premium brand large screen colour TVs were disappointing, being affected by the introduction of low-priced secondary and own-brand models.

The post-Christmas sales started well, although the past week has been affected by the severe wintry conditions throughout Wigfalls trading area.

There is no interim dividend, but the company expects to pay a maintained final of 2.5p net. Mid-year loss per 25p share increased from 13p to 15.9p.

First-half turnover increased from £25.3m to £26.5m, despite disruption to trading as a result of a major shop improvement programme. Retails sales rose 11 per cent in the face of increased retail competition.

Between April and September the company completed a major improvement programme in 50 of its town centre units (out of its total chain of 95 shops and superstores), thereby bringing them into line with the new image created for the recently opened Wigfalls superstores.

Four major new superstores have been opened during the first half in Nottingham, Huddersfield, Blackburn and Northenden (Manchester). The first two allowed Wigfalls to close three small shops in these towns and in total seven small unprofitable units have been closed in the current financial year so far.



## Coline slightly ahead of forecast

**Coline International**, maker and supplier of accessories for electronic test equipment, yesterday reported a 53 per cent jump in pre-tax profits from £871,000 to £1.33m for the year ended October 31, 1986. This was slightly ahead of the £1.25m forecast last July when the company joined the USM.

As anticipated, turnover of £7.13m was only marginally higher than last year's £7.02m which reflected the large contract for Ford automobile diagnostic equipment secured in 1985, on a one-off basis.

During the year a substantial investment was made in a new factory in Coventry to house the existing Blundell operations and the new oscilloscope probe business purchased in September. This business, alongside several new Coline products aimed at the automotive diagnostic and mobile radio test equipment markets, is expected to provide further growth during the current year.

The company said its strengthened management team would be looking actively for further acquisition opportunities during 1987. Coline was well placed to take advantage of the substantial growth expected in all areas of its business and the board looked forward to 1987 with confidence.

Lower corporation tax rates helped increase after-tax profits by 63 per cent from £507,000 to £826,000. Net earnings per 5p share were up from 6.3p to 9.9p and there is a final dividend of 1.85p net.

Exports have increased significantly, particularly to Germany, the US and the Far East and in the second half accounted for 51 per cent of sales.

## Robertson Research

**Robertson Research** is to invest US$2m (£1.3m) in acquiring a 22 per cent interest in American Gold Resources Corporation (AGR). Robertson has the opportunity to increase its investment through the exercise of warrants.

AGR, a private company based in Denver, was founded in 1986 to acquire mineral properties, predominantly gold, in areas historically prolific in precious metals in the western US. Robertson's investment is part of a financing of US$3.1m raised by ARG for the purpose of funding further exploration, evaluation and feasibility studies on its properties which are mainly in Nevada, Colorado and Idaho.

Robertson has appointed two members to the AGR board.

## John Maunders

**John Maunders Group**, housebuilder has acquired from Poole Borough Council a major housing development at Canford Heath on which 60 luxury homes will be built with a sales value in excess of £3.6m.

The group has also completed the purchase for £3.5m of the major part of the housebuilding division of Dares Estates situated in Dorset and Hampshire which includes six residential sites together with work in progress with a total sales value of £10m.

# Gold Greenlees jumps 66%

Gold Greenlees Trott, advertising agent, lifted its turnover by 66 per cent to £21.77m and its profit by 53 per cent, from £632,000 to £970,0000, in the half-year ended October 31 1986.

This time, however, the directors included an exceptional £54,000 gain on sale of property above the line, and that gave a pre-tax figure of £1.02m, a rise of 62 per cent.

The interim figures were the first since the company's shares were listed in March 1986.

Mr Michael Gold and Mr Michael Grenlees, the joint chairmen, said the period included several new product launches which increased the proportion of annual turnover in the six months over that which the group traditionally experienced.

Recent new business wins were unlikely to contribute significantly until the next financial year. Therefore, the second-half performance, while continuing strongly, was unlikely to match the results now published.

After tax £399,000 (£265,000) earnings for the half year came out to 7.22p (4.59p), and an interim dividend of 1.2p net is being paid. The group made a pre-tax profit of £1.47m for the whole of 1985-86, and paid a final dividend of 1p.

The chairmen said that business gains from existing clients continued to grow strongly, and so far this year the company had gained new clients in Ariston, Sekonda, Boots and Pirelli.

They said the group had the people and management systems to ensure continuing sucess, and to pursue the broader ambition of building the group into a major communications group through acquisitions.

# County Properties down 19%

A SHARP downturn in the contribution from its principal related company, McLeod Russel, left the County Properties Group with profits of £5.17m pre-tax for the year to September 30 1986, a shortfall of 19 per cent on the previous year's £6.41m.

Mr Kevin McCabe, the managing director, pointed out however that pre-tax property profits had increased over the 12 months by 45 per cent to £1.05m.

These were made up as to property investment £544,000 (£665,000), property development £795,000 (£514,000) and housebuilding and construction £25,000 (nil), less interest charges of £313,000 (£455,000).

Mr McCabe said that the property development programme was larger than before, and added that with the new construction and housebuilding activities the company would sustain and increase its level of activity.

He looked forward to 1987 with confidence that the company "shall once more achieve substantially improved results."

Meanwhile, from earnings of 27.3p (29.3p), or 9.1p (6.2p) excluding the principal related company, the dividend for the year is being increased from 3.5p to 4.3p net via a final of 2.6p.

Turnover for 1985-86 improved from £4.09m to £6.13m with the property development contribution at £4.79m (£3.24m).

Tax of £2.27m (£3.37m) left net profits at £2.9m, compared with a previous £3.04m.

## Albert Fisher buys into fish wholesaling

**Albert Fisher Group** is to pay an initial £5m for SPI, a Birmingham-based wholesaler of fresh and frozen fish products.

The acquisition is Fisher's first venture into fish. Previously its rapid growth had been built on fruit and vegetable processing and distribution in Britain and the US.

SPI imports and exports fish products, supplies caterers, hotels and retailers and offers cold storage facilities. It achieved pre-tax profits of £490,000 on sales of £19.4m in the six months to November 1986.

The initial £5m payment will comprise £1.5m cash and £3.5m in new shares based on a price of 180p, against yesterday's close of 186½p, up 3½p. The shares cannot be sold for at least two years.

Fisher has linked additional payment to future profits, as it has in many previous acquisitions. SPI's owners, who will continue to work for the company, stand to receive £3.5m in cash and shares if pre-tax profits reach £2.23m in the 21 months to August 31 1988.

## RTZ stake

**RTZ Chemicals** has subscribed for a 15 per cent equity stake in Bio Technica, a Cardiff-based agricultural and environmental biotechnology company, for about £1.7m.

Dr D. Swallow, managing director of RTZ Chemicals, has joined the board of Bio Technica, which has an annual turnover approaching £2m.

This investment coincides with the completion by Bio Technica of a successful rights issue, which was fully subscribed. The new funds will be used to finance the company's growth.

## Real Time advances to £0.3m

**Real Time Control**, USM quoted manufacturer of computer systems and terminals, lifted pre-tax profits from £105,000 to £304,000 for the half year ended September 26 1986. Turnover rose 43 per cent to £2.27m, against £1.59m.

The company said the retail electronic point of sale (EPOS) equipment market continues to be highly competitive. It was unlikely to contribute significantly to the group performance until the next financial year, when Real Time expected to derive the benefits from the recently announced new products and the agreement with IBM to distribute its new store system.

Contributions from the company's other areas of activity, particularly the computer maintenance division and its subsidiary, Rotec, together with the benefits being derived from improving cash surpluses, should provide a satisfactory improvement in full year results, the company said.

Pre-tax results included increased net investment income of £64,000 (£35,000). After tax of £101,000 (£39,000) earnings per 5p share climbed by 2p to 2.9p.

Last year, the company paid a single dividend of 2p net on £413,000 pre-tax profits.

# Clyde swaps oil interests

BY LUCY KELLAWAY

**Clyde Petroleum**, UK independent oil company, is trading interests in its onshore licences with Phillips Petroleum in return for a stake in eight small offshore blocks.

Clyde said yesterday that the deal would broaden its spread of offshore interests and would introduce Phillips to onshore acreage in the UK for the first time.

None of the offshore blocks had any drilling commitments on them, the company added.

The most interesting of the assets exchanged are a 15 per cent stake in block 16.27B, and a 5 per cent stake in gas blocks 48.12a and 48.13b.

The onshore interests include a 50 per cent stake in a new licence in South Yorkshire, on which the first drilling is due to start towards the end of this year. The cost of the drilling will be met by Phillips.

# FII leaps 79% to I£7.2m

**FII**, the Dublin-based USM fruit, and vegetable merchant which last year acquired the UK banana distributor Fyffes for £26.5m, has produced a 79 per cent rise in full-year pre-tax profits from I£4.02m to I£7.2m (£6.87m).

The board has proposed a final dividend of 3.8p, making 5.3p for the year to end-October (4.62p), along with a four-for one capitalisation.

The figures include four months' profit from Fyffes. Turnover rose substantially from £81.86m to £158.62m.

Tax took £2.03m (£1.50m), and there was an extraordinary loss of £312,773 after the costs of rationalisation and redundancy at the Kinsealy Farms.

Earnings per share rose 77 per cent from 12.7p to 22.4p.

The company was confident about its long-term prospects, and directors forecast further overseas expansion.

## SHARE STAKES

Changes in company share stakes announced over the past week include:

**Personal Assets Trust** — I. F. Rushbrook purchased 125,000 ordinary increasing his and family's interest to 10.9 per cent.

**Dinkie Heel**—David Evans sold 100,000 shares at 34p.

**Willis Faber** — Viscount Chelmsford sold 52,456 shares at £4.30.

**Jove Investment Trust**—Directors S. J. Cockburn disposed of 100,000 capital shares at 37p and holds 260,000.

**Tysons (Contractors)** — Herbert Penn reduced his interest from 345,880 ord to 275,880 shares (5.52 per cent).

**Sanderson Murray and Elder**—Sir James Hill and Sons acquired a further 20,000 ordinary shares and is interested in 154,264 (8.1 per cent). J. P. and Mrs M. Lobbenberg sold 25,000 and interested in 107,500 (5.7 per cent.)

**Martin Ford**—Directors N. Wallis and I. Aronson each sold 52,000 ordinary at 60p.

**Magnet and Southerns**—Director J. T. Duxbury sold 100,000 ordinary at 270p and ceased to have beneficial interest in 40,000 ordinary registered in the name of the 1965 J. T. Duxbury Settlement; these shares were sold at 270p.

## APPOINTMENTS

# Chloride finance post

BY JOHN MURRAY BROWN IN JAKARTA

Mr Peter Regnier has been appointed finance director of the CHLORIDE GROUP. He joins the board on January 28. For the past four years he has been director of finance, planning and services with Austin Rover Group.

★

Mr Peter Smith, head of corporate relations, Reed International, has been elected chairman of the INVESTOR RELATIONS SOCIETY. He succeeds Mr Eric Silvester, investor relations manager, The BOC Group, who has been chairman since the society was founded in 1980.

★

Mr Keith Marks has been appointed finance director of COMPAIR HOLMAN, Camborne. He was financial controller.

★

Mr Ian Jones has joined NORMAN BROADBENT INTERNATIONAL as an executive director. He was formerly managing director of Faberge UK.

★

Mr Paul Dawson has been appointed managing director of JARDINE CREDIT INSURANCE, part of Jardine Insurance. Mr Dawson joins from Credit Consultants Stewart Wrightson Group. He was managing director of CMC and a director of Stewart Wrightson Corporate Risks.

★

Mr Norman Terret has been appointed commercial director of ITS-SARL.

★

WHITELEY ELECTRONICS has appointed Mr John Romer as financial director and Mr Stuart Geward as production director.

★

Mr Brian Divers has been appointed managing director of UIE SCOTLAND. He succeeds Mr Joe Craig, who has resigned but who will continue as a director on a part-time basis.

★

ANCHOR FOODS has made organisational changes. Mr Mike Otter has been promoted from marketing manager to director of marketing. Mr Brian Ellis becomes director of manufacturing, and takes on additional responsibility for personnel. Mr Ron Maxwell, formerly divisional manager for sales and distribution, with additional responsibility for production and credit control in his new role as director of planning and distribution.

★

At ASDA-MFI GROUP Mr Geoffrey Carr has been made head of group business development. He joins from stockbrokers Scrimgeour Vickers where he was joint head of the retail research team.

★

A new group managing director, Mr Peter M. Barman, will join J. H. FENNER (HOLDINGS) at the begining of March. He has had wide international experience in the polymer and engineering industries with the Dunlop and T.I. organisations.

★

Mr John Marsden has been appointed finance director of TIP TOP DRUGSTORES. He was finance director of Sheffield Insulation and Chloride Shires, a Chloride Group subsidiary.

★

MATTHEW GLOAG & SON has made the following appointments: Mr J. A. Sheriff has been appointed assistant managing director—marketing; Mr A. Kettles becomes assistant managing director—operations; Mr G. D. Bell has been made company secretary in succession to Mr A. Kettles. Mr J. J. G. Good, and Mr B. G. Ivory have been appointed non-executive directors.

★

VALSPAR PAINTS has appointed Mr A. C. Hornsby as a non-executive director.

★

Mr Arthur Davidson has been appointed legal director of ASSOCIATED NEWSPAPERS HOLDINGS and becomes a board member at Mail Newspapers.

At MIRROR GROUP NEWSPAPERS, Mr Ken Udall, editorial administration director, has been promoted to group director of editorial administration.

★

Mr Harry Houghton, previously marketing director, has been appointed managing director of SWINTEX, wholly-owned subsidiary of Krug International (UK).

★

The EPWIN GROUP has appointed Mr R. (John) Rawson and Mr Richard Cox to the board.

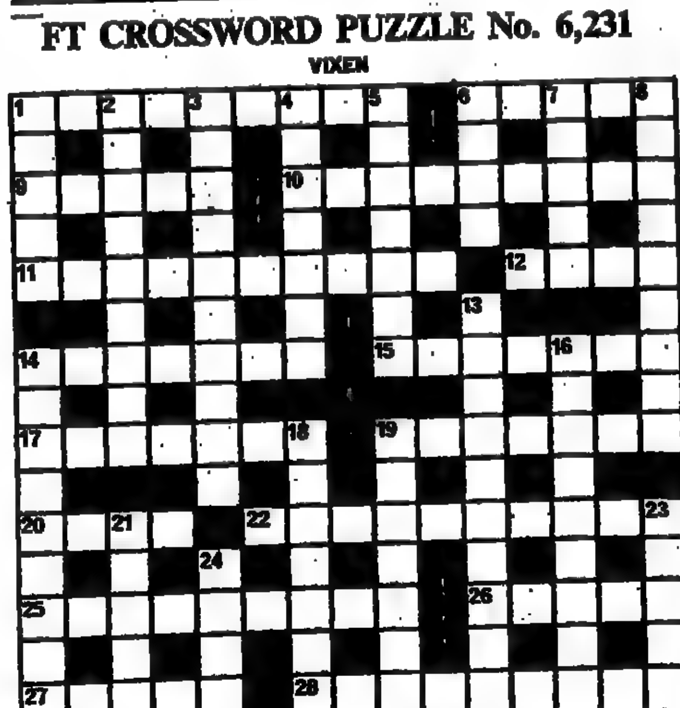
# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

## INSURANCES

## FT CROSSWORD PUZZLE No. 6,231

VIXEN



### ACROSS

1 Being a fool, she'd concocted an untrue statement (9)
6 Change sides, feeling irritated (5)
9 Chance meeting of commanding officer with a blackguard (5)
10 Soldiers shaping up—getting better (9)
11 Setting a seaman free, detectives start the summary (10)
12 Paving is standard (4)
14 A flier having to arrange loan? Rot! (7)
15 Stand by in for example the North-east (7)
17 Bind bearings and save about a pound (7)
19 If tied in knots no-one backed the issue (7)
20 Tots like being occupied by a cleric (4)
22 Give thanks for increase (10)
25 "And hold there is no sin but ——" Marlowe (The Jew of Malta) (9)
26 Speak evil about none (5)
27 Strong spirit never broken (5)
28 Record—it's giving rise to complaint (9)

### DOWN

1 Lily and Violet could be the making of her (5)
2 One in fifty reprimands will result in tears (9)
3 Foreign stock exchange? (10)
4 Some ran badly, running not being their sport (7)
5 Safeguard of French dealer who's on the shady side (7)
6 Coppers will get under a vehicle to find fault (4)
7 Lie or go to the dogs in college (6)
8 Dull colour can be both wise and unwise (4-5)
13 Find out, not for the first time, about underworld protection (10)
14 Manoeuvre relation in public (9)
16 It is a trug used by a music man (9)
18 A stretch of the river accommodating some vessels (7)
19 Firm offering a guarantee (7)
21 Foreign currency in hand—in a reserve fund (5)
23 A woman, having points, gets flat (5)
24 Transport that is designed for cheese (4)

Solution to puzzle No. 6230

# AUTHORISED UNIT TRUST & INSURANCES

**Canada Life Group**
2-6 High St, Potters Bar, Herts — P. Bar 51122

| | | | | |
|---|---|---|---|---|
| Equity Gth Sept 2? | | 1.508 | | — |
| Retirement | | 5.361 | | — |
| **Individual Pension—Distribution** | | | | |
| Managed Pen Fund | 302.5 | 318.5 | | 4.9 |
| Property Pen Fund | 132.1 | 139.1 | | — |
| Index-linked Pen Fd | 128.2 | 135.0 | | — |
| **Series C Pension—Accumulation** | | | | |
| International Pen Fd | 191.2 | 201.3 | | — |
| Managed Pen Fd | 173.2 | 182.4 | | — |
| Property Pen Fd | 126.2 | 132.9 | | — |
| Index-linked Pen Fd | 124.7 | 131.3 | | — |
| Gilt & Fxd Int. Pen Fd | 145.4 | 153.1 | | — |
| Equity Pen Fd | 195.6 | 205.9 | | — |
| **Managed Funds** | | | | |
| Managed | 181.8 | 191.4 | +1.0 | — |
| Property | 128.1 | 134.9 | +0.1 | — |
| Gilt & Fxd Interest | 135.4 | 142.6 | +1.5 | — |
| Index-linked | 111.9 | 117.8 | +0.4 | — |
| Equity | 201.7 | 212.4 | +1.0 | — |
| Cash | 139.1 | 146.5 | +0.1 | — |
| Midland Bank Unit Tst | 196.7 | 207.1 | +1.0 | — |
| Midland Bk Managed | 196.7 | 207.1 | +1.0 | — |
| Midland Bk Internatl | 228.4 | 240.5 | +0.2 | — |

**Cannon Assurance Ltd**
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

| | | | | |
|---|---|---|---|---|
| **2nd Series Life Accumulation** | | | | |
| Equity | 352.2 | 372.7 | +1.7 | — |
| High Income | 301.4 | 318.9 | +0.7 | — |
| Property | 216.6 | 229.2 | | — |
| Managed | 254.9 | 269.7 | +0.7 | — |
| Deposit | 176.4 | 186.7 | | — |
| Gilt | 178.8 | 189.2 | +1.1 | — |
| American | 251.8 | 266.9 | -1.9 | — |
| International Money | 198.6 | 210.2 | -1.0 | — |
| Index | 109.5 | 115.9 | +1.0 | — |
| Far East | 209.7 | 221.9 | -1.4 | — |
| Global | 104.5 | 110.6 | -1.1 | — |
| European | 110.0 | 116.4 | | — |
| Japan | 113.7 | 120.3 | -0.3 | — |
| Residential Property | 96.7 | 102.3 | | — |
| **2nd Series Pension Accumulation** | | | | |
| Equity | 510.8 | 593.4 | +5.0 | — |
| High Income | 358.3 | 379.2 | +1.0 | — |

**Crusader Insurance Plc**
Reigate, Surrey RH2 8BL — 07372 42424

| | | | | |
|---|---|---|---|---|
| Measured Performance | 104.3 | 110.4 | +0.6 | — |
| Performance Plus | 105.0 | 111.1 | +0.5 | — |
| With Profit Perform. | 97.2 | 102.9 | | — |
| UK Opportunity | 104.8 | 110.9 | +0.8 | — |
| European Opportunity | 113.2 | 119.8 | +0.2 | — |
| Nth American Opp. | 102.7 | 108.7 | +0.9 | — |
| Far Eastern Opp. | 103.1 | 109.1 | +1.0 | — |
| Grwth Prp Ser 1 Jan 7 | 141.8 | 151.0 | | — |
| Grwth Prp Ser 2 | 97.0 | 102.6 | | — |
| Fixed Interest | 97.7 | 103.4 | +0.2 | — |
| Cash | 97.2 | 102.9 | | — |
| Managed Pens (Nov 18) | 291.48 | 299.19 | | — |

**Devonshire Life**
29 Glasshouse St., W1R 5RG — 01-434 9511

| | | | | |
|---|---|---|---|---|
| Managed | 116.5 | 122.7 | +0.1 | — |
| World Growth | 100.1 | 105.5 | -0.3 | — |
| UK Equity | 120.6 | 127.0 | -0.2 | — |
| UK Small Companies | 118.6 | 124.9 | -0.7 | — |
| European | 103.0 | 109.3 | -0.5 | — |
| Far Eastern | 163.5 | 172.2 | +1.0 | — |
| Nth American | 96.4 | 101.6 | -0.7 | — |
| Fixed Interest | 106.0 | 111.7 | +1.6 | — |
| Index Linked Stks | 100.8 | 106.2 | +1.3 | — |
| Money | 100.4 | 105.8 | +0.1 | — |
| Pen Managed | 129.4 | 136.3 | +2.1 | — |
| Pen World Growth | 102.0 | 107.5 | -0.4 | — |
| Pen UK Equity | 139.4 | 146.9 | -0.1 | — |
| Pen UK Small Cos. | 130.3 | 137.3 | -0.5 | — |
| Pen European | 105.4 | 111.0 | -0.1 | — |
| Pen Far Eastern | 214.8 | 226.2 | +1.1 | — |
| Pen Nth American | 93.5 | 98.5 | -1.5 | — |
| Pen Fixed Interest | 109.7 | 115.6 | +1.8 | — |
| Pen Index Linkd Stks | 101.0 | 106.4 | +7.5 | — |
| Pen Money | 104.8 | 110.4 | +0.1 | — |

**Eagle Star Insurance Co Ltd**
Bath Road, Cheltenham GL53 7LQ — 0242 521311

| | | | | |
|---|---|---|---|---|
| Secure Fund | 104.1 | 109.6 | -0.2 | — |
| Blue Chip Fund | 130.6 | 137.5 | -0.9 | — |
| Performance Fund | 156.4 | 164.7 | -0.9 | — |
| Adventurous Fund | 152.0 | 160.1 | -0.7 | — |
| Pensions Secure | 95.3 | 100.4 | | — |

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

## MANAGEMENT SERVICES

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd | $18.39 | +0.16 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth | $10.76 | +0.16 | —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech | $18.85 | +0.26 | —
Dynamic Gwth Fd | $20.60 | +0.17 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund | $12.39 | 13.00 | — | —

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Charities Aid Fndn Money Mngmt Co Ltd** | | | | |
| Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461 | | | | |
| CAFCASH Call Fund | 10.39 | 7.77 | 11.40 | 3-mth |
| CAFCASH 7-day Fund | 10.53 | 7.89 | 11.56 | 3-mth |
| **The Charities Deposit Fund** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Deposit | 10.75 | 11.3 (CAR) | | 3-Mth |
| **The Money Market Trust** | | | | |
| 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fund | 10.54 | 7.91 | 11.50 | 6-mth |
| 7-day Fnd | 10.46 | 7.85 | 11.41 | 6-mth |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd | 10.40 | 7.80 | 11.35 | 6-Mth |
| 7-day Fund | 10.47 | 7.85 | 11.24 | 6-Mth |
| Dollar | 4.75 | 3.55 | 5.07 | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** | | | | |
| 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484 | | | | |
| Full Service Cur Acc | 10.25 | 7.50 | 10.80 | Qtr |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 10.25 | 7.44 | 11.10 | Qtr |
| MoneyCheq £1000-£5000 | 10.00 | 7.50 | 10.90 | Mth |
| Mth. Int. Chq. £5,000+ | 10.25 | 7.24 | 11.10 | Mth |
| **Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 01-283 9111 | | | | |
| High Int. Cheque Acc | 11.00 | 8.25 | 12.00 | Mth |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt Cheque Acc | 10.25 | 7.44 | 11.10 | Mth |

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. § Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 27 | NEI | 8 |
| Amstrad | 25 | Nat West Bk | 48 |
| BAT | 35 | P & O Dfd | 45 |
| BOC Grp | 28 | Plessey | 16 |
| BSR | 11 | Polly Peck | 16 |
| BTR | 26 | Racal Elect | 15 |
| Babcock | 26 | RHM | 24 |
| Barclays | 42 | Rank Org Ord | 45 |
| Beecham | 49 | Reed Intnl | 25 |
| Blue Circle | 55 | STC | 13 |
| Boots | 22 | Sears | 12 |
| Bowaters | 32 | TI | 40 |
| Brit Aerospace | 42 | TSB | 8 |
| Brit. Telecom | 17 | Tesco | 36 |
| Burton Ord | 26 | Thorn EMI | 42 |
| Cadburys | 17 | Trust Houses | 15 |
| Charter Cons | 24 | Turner Newall | 18 |
| Comm Union | 28 | Unilever | 140 |
| Courtaulds | 26 | Vickers | 36 |
| FNFC | 17 | Wellcome | 17 |
| Gen Accident | 75 | **Property** | |
| Gen Electric | 15 | Brit Land | 16 |
| Glaxo | 85 | Land Securities | 30 |
| Grand Met | 40 | MEPC | 32 |
| GUS 'A' | 85 | Peachey | 24 |
| Guardian | 75 | **Oils** | |
| GKN | 24 | BOM | 3½ |
| Hanson Tst. | 18 | Brit Petroleum | 50 |
| Hawker Sidd | 42 | Burmah Oil | 32 |
| ICI | 75 | Charterhall | 4 |
| Jaguar | 42 | Premier | 3½ |
| Ladbroke | 32 | Shell | 65 |
| Legal & Gen | 20 | Tricentrol | 8 |
| Lex Service | 32 | Ultramar | 17 |
| Lloyds Bank | 58 | **Mines** | |
| Lucas Inds | 46 | Cons Gold | 62 |
| Marks & Spencer | 18 | Lonrho | 22 |
| Midland Bk | 48 | Rio T Zinc | 62 |
| Morgan Grenfell | 26 | | |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## Cocoa pact agreement buoys futures market

BY ANDREW GOWERS

A SUPPORT buying programme for cocoa prices, which have been under increasing pressure from over-supply in recent months, came a step closer yesterday when exporting and importing countries provisionally agreed to bring the International Cocoa Agreement into existence from today.

The pact was concluded — against many expectations — last July, but its implementation has since been held up by delays in obtaining ratification and by wrangling over rules governing the buffer stock which is to be used to stabilise prices. The buffer stock, which stopped buying under the previous cocoa agreement in 1982 when it ran out of money, has now accumulated financial reserve of more than $240m.

Yesterday's agreement, on the first day of an International Cocoa Organisation meeting in London, signifies that the ratification problems, at least, are almost at an end. It helped to boost cocoa prices, which had been sagging at six-month lows for most of the day on the London futures market — principally as a result of sterling's strength against the dollar. Cocoa for May delivery closed yesterday at £1,415 per tonne, compared with £1,400.50 on Friday.

However, a host of important issues concerning the operations of the buffer stock manager (BSM) have to be sorted out before support buying can begin, underlining the legacy of mistrust between commodity producing and consuming countries left by the collapse of the International Tin Agreement over a year ago.

The cocoa price remains well below the level at which buying is permitted under the pact, and more than 18 per cent down on its level a year ago—although traders said its move yesterday afternoon indicates growing sensitivity in the market to news concerning the pact.

Questions for discussion this week are understood to include:

- The extent to which the buffer stock manager should be required to make his dealings public or keep them confidential;
- The issue of price differentials, with producers arguing that premiums should be paid for good-quality cocoa and consumers resisting;
- Whether the BSM should be required to buy cocoa from non-members like Malaysia, a rapidly-growing producer which has refused to join the agreement. If he is not, surplus supplies from that source are likely to weigh heavily on the market.

Even if these issues are resolved in the next few days, it will be March at the earliest before the agreement has taken full effect. And many dealers believe the market is already discounting the BSM's first tranche of purchases, totalling 75,000 tonnes.

## Buyers resist Saudi Arabia's long term oil contracts

BY LUCY KELLAWAY

SAUDI ARABIA is experiencing serious difficulty in getting its customers to agree ot fixed price long term contracts, which are due to take effect from the beginning of February.

According to the Middle East Economic Survey, only three buyers have so far committed themselves to the five month contract being offered by the Saudis, which irrevocably ties the buyer to lifting a fixed volume of oil each month.

The three buyers are reported to be Petrobras of Brazil, Motor Oil Hellas of Greece and Cepsa of Spain, which together have agreed to buy just 225,000 barrels a day, Mees said. This compares with the Saudi production quota of 4.1m barrels a day, under the last Opec agreement designed to fix prices at $18 a barrel.

Saudi Arabia has covered itself for the month of February by allowing customers to nominate their volumes for the month without making them sign five month contracts. However, MEES says that it is putting pressure on them to sign up at least by mid-February.

The majors are believed to be putting up particularly strong resistance to the new contracts, and the market does not expect them to back down over the next few weeks.

"The signs are very worrying," says Mr Humphrey Harrison of County Securities. "The Saudis are going to have to capitulate. The question *is* whether they can do so in a sufficiently sophisticated way to maintain their credibility."

Oil prices yesterday slipped from last week's highs, with West Texas Intermediate falling back below $19 a barrel. By mid-afternoon it was trading at $18.95 down 15 cents, while in London Brent for delivery in February lost about 10 cents to close at about $18.30.

## Argentina seeks fish deal with Poland

BY TIM COONE IN BUENOS AIRES

WITH THE February 1 deadline fast approaching for the introduction of the UK's fishing management zone around the Falkland Islands, Argentinian negotiators have gone to Poland in the hope of securing a last minute agreement with their Polish counterparts to regulate Polish catches in the South Atlantic.

Poland has one of the largest fishing fleets operating in the South Atlantic and is reported already to have been negotiating with the UK for licences within the 150-mile zone.

Argentina signed bi-lateral fishing agreements with the Soviet Union and Bulgaria last year, which prompted the UK to announce its own licensed fishery zone around the Falklands, last October and which is due to come into force within a fortnight.

The Argentine negotiating team includes Government officials as well as representatives of the Argentine deep sea fishing industry. The team's departure has been at the invitation of the Polish fishing industry and according to the commercial attache at the Polish embassy in Buenos Aires, the talks will be over co-operation at a company to company level "although no agreement will be signed which does not have the support of the Argentine Government," he said.

The Polish fishing industry has a number of state-owned fishing companies "and they are interested most of all in Argentina's exclusive economic zone," said the attache.

The implication is that any bilateral accords might not include the area around the Falkland Islands, leaving that to be dealt with separately in negotiations with the UK.

## EEC subsidy 'game' stalls Soviet sale

BY TIM DICKSON IN BRUSSELS

EUROPEAN TRADERS and the European Commission are engaged in a tense game of "cat and mouse" over subsidies for huge grain sales recently negotiated with the Soviet Union.

Up to 4m tonnes of grain is thought to be at stake — about 2.2m tonnes of French wheat, around 700,000 tonnes from West Germany, between 500,000 and 700,000 from the UK, and perhaps 500,000 tonnes of barley from all over the Community. No precise figures are available.

The traders involved in these deals need huge subsidies from the EEC to bridge the gap between the price of wheat on the world market and the much higher price inside the Community as a result of protectionist policies.

But at the most recent meeting of its cereal management committee last week, the EEC is believed to have turned down applications for so-called "restitions" on almost 2.8m tonnes at a rate of between Ecu 143 and Ecu 148 per tonne. The bulk this is known to be destined for the Soviet Union.

Grain sales on this scale are obviously attractive to the European Commission, which is faced with a wheat mountain of around 8m tonnes, but officials are equally determined not to give in to what they consider to be the opportunistic greed of some traders.

- EEC Farm Ministers meeting in Brussels yesterday afternoon spent most of their time discussing the implications of the recent realignment of the European Monetary System. The French Minister Mr François Guillaume was hoping to alter a Commission plan to impose taxes on French exports of pigmeat, poultry and eggs due to take effect on Thursday but his West German counterpart, Mr Ignaz Kiechle was insisting that this was a necessary consequence of the realignment.

## Tin group meets to finalise export curb

THE ASSOCIATION of Tin Producing Countries (ATPC) hopes to finalise 1987 export quotas to try to boost prices at a meeting today, *reports Reuter from Kuala Lumpur.*

The seven ATPC members recently agreed to limit total 1987 exports to 96,000 tonnes to cut a world surplus of 70,000 tonnes but they disagreed on individual quotas.

Ministers from Malaysia, Thailand and Indonesia, which produce 80 per cent of the group's tin, met earlier this month to break the impasse. The three countries agreed to limit their total exports to 72,000 tonnes but declined to reveal individual quotas.

The remaining 24,000 tonnes will be distributed among the other ATPC members, Bolivia, Australia, Nigeria and Zaire, at this week's three day meeting, officials said.

The group's estimated 1987 output is 114,000 tonnes.

Producers initially wanted to cut production but opted for export controls when they could not agree, the officials said.

They said Malaysia originally asked the ATPC for a quota of 28,000 tonnes, Indonesia 27,000, Thailand 19,000, Bolivia 15,000 and Australia 7,000.

The 96,000-tonne export limit, if agreed by ATPC members, is likely to be enforced in March or April, they said.

Once export controls are enforced the ATPC expects tin prices to rise to 18-19 ringgit a kilo from about 17 (£4.40) now.

Brazil and China, which are not ATPC members, have agreed to co-operate with the ATPC by limiting exports.

Malaysia, the world's leading producer, has warned other members to curb tin smuggling during the 1987 export quota period to prevent the plan from being undermined.

## Australia in wheat deal with China

THE AUSTRALIAN Wheat Board (AWB) has sold 2m tonnes of wheat to China this month, International Grain traders said, *reports Reuter from Sydney.*

However, the AWB is neither confirming nor denying that it has made the sale to China, an official said from Melbourne.

The traders said they understood the Chinese buying authorities asked the Board not to disclose the sale but added they have obtained independent confirmation after several days of rumours.

Details of delivery period and price were lacking, they said.

"The price was probably in the low $80s a tonne," one trader said.

Delivery is expected to be in the May to September period.

The sale would be the second the AWB has made to China in its current October/September wheat year, the first, for 1.5m tonnes, being announced in November.

### LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

| | | (tonnes) |
|---|---|---|
| Aluminium | +5,600 to | 121,400 |
| Copper | −625 to | 175,675 |
| Lead | −25 to | 33,025 |
| Nickel | −324 to | 6,546 |
| Tin | −1,175 to | 36,615 |
| Zinc | +825 to | 23,450 |
| | | (ounces) |
| Silver | −48,000 to | 23,022,000 |

## Planning for a rural revival

FARMER'S VIEWPOINT

By John Cherrington

A FEW years ago a friend of mine invented a number of pig farming accessories and started to manufacture them on his own farm. The business expanded and he applied to build a further factory employing a dozen people. This was refused and he was told to go to an industrial estate 10 miles away, which would have raised his capital costs significantly and involved extra travel for his employees, all of whom lived close to his farm.

This is just one of many cases in which Britain's stringent planning restrictions have frustrated farmers' attempts to divert their land to non-agricultural uses. Now that the Government acknowledges that overproduction of food has rendered a growing proportion of farm land redundant it is time that these restrictions were reconsidered.

I asked a planning officer I met recently why getting planning consent was so difficult. It was all, he told me, due to democracy. Ministers might encourage an easing of planning controls but local councillors were much more attentive to the wishes of their electors.

This is a reflection of demographic changes in rural areas. In most of them farming and rural industry is running down and being replaced by commuters, the retired and weekenders.

This is particularly true in the Southeast and in areas within reach of motorways. These were frozen into their land use maps, laid down in the main planning Acts some 40 years ago, and it seems to be very difficult to change them now. For instance there was little provision for rural housing then, and not much other housing either. But now the demand is intense, so much so that the site cost of a small bungalow is at least half its sale value—a truly ridiculous state of affairs.

The obvious way to overcome this financial squeeze on building costs would be to release more land for building. This would mainly be objected to by those already owning land with planning approval, and of course those with a vested interest in keeping the populations of rural areas at their minimum, and denying them any industry or any chance of making a profit from activities on it. Many of the more recent settlers in the country side have lost little time in banding together to try and prevent any further development after their own.

When the planning laws were put through, most farmers supported them on the grounds that farmland should be kept for farming. But now that about 2m to 3m acres are likely to be surplus to modern needs they are looking for viable uses for it.

This is unlikely to be found in such things as land set aside, disintensification of farming by cutting down on sprays and fertilisers, and other such suggestions. It would be much better to go to where the most money is, in housing sites for instance. Many farms have odd corners which have never pulled their farming weight. I have several on my own farm. What better use for them than to sell them to the highest bidder to build idyllic country cottages.

Then there is an almost insatiable demand for pony paddocks, which when sold in small sizes make several times the farming value. How much better to allow the purchaser the right to build on it.

There is any amount of scope for small scale industry. There was quite a stir round my area of Hampshire some years ago when a craftsman who used to build spinets in his garage sought permission to expand enough to employ one more man and was refused. This, surely, was a genteel enough occupation to avoid offence.

I am not suggesting that planning restrictions should be dropped altogether. There should be *restrictions on the sort of* developments which marred Britain's coasts in the 1930s, and along the main roads as well. But there is room for a great deal of relaxation nonetheless. If you wish to consider an example it is worth seeing what the West Germans have done since the war.

There the policy was quite simply to integrate industry into the rural environment by moving much of it to greenfield sites so that the many small farmers could find occupation while at the same time running their farms in their spare time with the help of their families. From my observation over the years it seems that this has brought about a first class balance in rural society.

There is another point well worth attention. Any form of Government-instituted change of land use would cost the exchequer hard cash. By creating a free market in land all changes would be self financing through the high prices which would follow the demand for land freed for development. I cannot see much wrong with a great derestriction of land use.

## LONDON MARKETS

LONDON METAL Exchange base metal prices, which were already depressed, came under further pressure yesterday from the weakness of the dollar. A £20.75 fall took cash Grade A copper to a five-month low of £870.50 a tonne as currency-based selling breached minor chart resistance points. Cash lead fell £19 to £288.75 a tonne, while cash zinc ended £20.50 down at £488 a tonne—an eight-month low. Cash aluminium, which was suffering from the additional depressant of a second big rise in LME warehouse stocks last week, fell £21.50 to £762 a tonne, and cash nickel dipped another £68 to a fresh four-year low of £2,283 a tonne. The cocoa market was pushed lower early on but rallied following news of the provisional application of the International Cocoa Agreement. Coffee turned downwards again, after rallying on Friday afternoon, and the March futures position closed £11.50 down at £1,547.50 a tonne. LME prices supplied by Amalgamated Metal Trading.

### INDICES

REUTERS [illegible]

DOW JONES [illegible]

### MAIN PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

### ALUMINIUM

[illegible]

### COPPER

[illegible]

### LEAD

[illegible]

### NICKEL

[illegible]

### TIN

[illegible]

### ZINC

[illegible]

### GOLD

[illegible]

### SILVER

[illegible]

### SOYABEAN MEAL

[illegible]

### COFFEE

[illegible]

### COCOA

[illegible]

### POTATOES

[illegible]

### SUGAR

[illegible]

### FREIGHT FUTURES

[illegible]

## US MARKETS

CONTINUED WEAKNESS of the US dollar helped keep most markets steady despite the tendency for profit-taking declines, and due to the federal holiday many players, especially the banks were absent, reports Drexel Burnham Lambert. In gold futures outside speculative and local buying held prices firm in the face of light trade selling and profit-taking. Silver futures similarly held steady on local and commission house buying, though in light volume. In copper futures initial commission house buying failed to hold prices steady as computer selling and long liquidation depressed the market. Commission house buying in platinum saw values rise in the face of profit-taking and local long liquidation. Stronger sterling coupled with roaster buying held coffee futures steady in light volume. Technical and speculative buying in the face of Brazilian price-fix selling in cocoa futures touched off commission house steps to firm prices. Profit-taking in sugar futures reversed early gains touching off commission house stops late in the session as the market fell despite trade scale-down buying. Grains markets were firmer, especially maize and soyabeans, as cash prices began to reflect the cold weather moving into the growing areas. The meats were generally weak as cash premiums narrowed and as a minor technical reaction to recent steadiness set in.

### NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 52.30 | — | — | 52.70 |
| Feb | 52.45 | — | — | 52.85 |
| March | 52.60 | 52.85 | 52.60 | 53.00 |
| May | 52.75 | 52.85 | 52.55 | 53.10 |
| July | 52.75 | 53.00 | 52.70 | 53.15 |
| Sept | 52.80 | — | — | 53.20 |
| Jan | 53.25 | — | — | 53.65 |
| March | 53.40 | — | — | 53.80 |
| May | 53.50 | — | — | 53.90 |

COCOA 10 tonnes, $/tonne [illegible]

COFFEE "C" 37,500 lb, cents/lb [illegible]

COPPER 25,000 lb, cents/lb [illegible]

COTTON 50,000 lb, cents/lb [illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons [illegible]

GOLD 100 troy oz, $/troy oz [illegible]

ORANGE JUICE 15,000 lb, cents/lb [illegible]

PLATINUM 50 troy oz, $/troy oz [illegible]

SILVER 5,000 troy oz, cents/troy oz [illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb [illegible]

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb [illegible]

LIVE HOGS 30,000 lb, cents/lb [illegible]

MAIZE 5,000 bu min, cents/56-lb bushel [illegible]

PORK BELLIES 38,000 lb, cents/lb [illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel [illegible]

SOYABEAN MEAL 100 tons, $/ton [illegible]

SOYABEAN OIL 60,000 lb, cents/lb [illegible]

WHEAT 5,000 bu min, cents/60-lb bushel [illegible]

## COTTON

[illegible]

## GRAINS

[illegible]

## OIL

[illegible]

## GAS OIL FUTURES

[illegible]

## RUBBER

[illegible]

## HEAVY FUEL OIL

[illegible]

## MEAT

[illegible]

## FOREIGN EXCHANGES

# Dollar hits new lows

CALLS FROM the US for a further weakening of the dollar pushed the US currency to new lows yesterday. At the weekend Mr Lloyd Bentsen, chairman of the US *Senate Finance* Committee, said in a television interview that he would like to see the dollar fall to around Y120. According to a US news report the US Treasury regards Y140 and DM 1.70 as appropriate levels for the dollar.

Trading was quite, with New York banks closed for Martin Luther King Day, and the dollar's decline generally took place in the Far East, where the market was more active. The Bank of Japan was estimated to have bought $1.5bn as the dollar touched a record trading low of Y149.98 in Tokyo. Mr *Satoshi Sumita*, Governor of the Bank of Japan, said he was determined to continue intervention to support the dollar.

The dollar fell to DM 1.8120 from DM 1.8440, lowest closing level since October 1980; to a record Y151.30 from Y153.40; to FFr 6.06 from FFr 6.17; and to SFr 1.5180 from SFr 1.5440.

On Bank of England figures the dollar's index declined to 102.7 from 105.1, the weakest since May 1 1981.

**STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index closed unchanged at 69.0, compared with 73.2 six months ago.**

Sterling was on the sidelines, rising against the dollar, but losing ground to Continental currencies. The UK December PSBR repayment had an initial impact on gilts but not on the foreign exchanges, while the market also failed to react to a rise of 0.2 per cent in December UK industrial production, compared with a 1.1 per cent fall in *November*, and a decline of 0.4 per cent in December retail sales. Firm North Sea oil prices and little prospect of an early cut in the high level of London interest rates underpinned the pound. Sterling gained 1.80 cents to $1.5335-1.5345, but fell to DM 2.78 from DM 2.7950; to FFr 9.2950 from FFr 9.3525; to SFr 2.3275 from SFr 2.34; and to Y232.00 from Y232.50.

**D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8120 December average 1.9890. Exchange rate index 148.9 against 136.8 six months ago.**

The D-Mark gained further ground against the dollar on a news report in the US that the US Treasury sees DM1.70 as an appropriate level for the dollar. Trading was active, with DM1.80 regarded as a resistance point, *which may lead to a technical* bounce up to DM1.87, until the downward trend resumes. At the Frankfurt fixing the dollar fell to DM1.8115 from DM1.8488, without intervention by the West German Bundesbank. The steady decline by the US currency has given rise to speculation the Bundesbank *may cut its 3.5 per cent discount* rate at Thursday's council meeting, but this is only a few days before the weekend Federal elections, and on balance a discount rate cut is considered unlikely. The dollar closed at DM1.8070 in Frankfurt, compared with DM1.8417 *on Friday*.

**JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. December average 162.19. Exchange rate index 212.5 against 218.6 six months ago.**

The yen continued to improve against the dollar in Tokyo yesterday. The US currency touched a record low of Y149.98 on speculative selling and sales by foreign bond investors to hedge currency risks. Sentiment surrounding the dollar was weak because of reports that the Reagan Administration wishes to see a further *dollar fall, while the chairman of* the US Senate Finance Committee said he would like to see the currency fall. The dollar declined in spite of further heavy intervention by the Bank of Japan. The US unit closed at Y150.45 in Tokyo compared with Y153.10 on Friday.

## £ IN NEW YORK

| Jan 19 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5195-1.5205 | 1.5185-1.5195 |
| 1 month | 0.56-0.53 pm | 0.63-0.61 pm |
| 3 months | 1.79-1.74 pm | 1.77-1.74 pm |
| 12 months | 6.35-6.25 pm | 6.25-6.15 pm |

Forward premiums and discounts apply to the U.S. dollar.

## STERLING INDEX

| | Jan. 19 | Previous |
|---|---|---|
| 8.30 am | 68.9 | 68.5 |
| 9.00 am | 68.9 | 68.4 |
| 10.00 am | 68.9 | 68.4 |
| 11.00 am | 69.0 | 68.5 |
| Noon | 69.0 | 68.6 |
| 1.00 pm | 69.2 | 68.7 |
| 2.00 pm | 69.1 | 68.8 |
| 3.00 pm | 69.1 | 68.8 |
| 4.00 pm | 69.0 | 69.0 |

## CURRENCY RATES

| Jan. 19 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.833520 | 0.740747 |
| U.S. Dollar | 5.5 | 1.25353 | 1.14001 |
| Canadian $ | 8.49 | * | 1.54847 |
| Austrian Sch. | 4 | 16.3084 | 14.4975 |
| Belgian Franc | 8 | 48.0108 | 42.8301 |
| Danish Krone | 7 | 8.76844 | 7.81952 |
| Deutsche Mark | 3½ | 2.31759 | 2.05908 |
| Neth. Guilder | 4½ | 2.61426 | 2.32220 |
| French Franc | 9½ | 7.75098 | 6.89820 |
| Italian Lira | 12 | N/A | 1467.76 |
| Japanese Yen | 3.0 | 192.292 | 171.685 |
| Norway Krone | 8 | 8.95271 | 8.01369 |
| Spanish Peseta | — | 161.959 | 145.636 |
| Swedish Krona | 7½ | 8.24760 | 7.39581 |
| Swiss Franc | 4 | 1.94390 | 1.72403 |
| Greek Drach. | 20½ | N/A | 150.880 |
| Irish Punt | — | N/A | 0.774989 |

*C$/SDR rate for Jan. 16: 1.70098.

## CURRENCY MOVEMENTS

| January 19 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 69.0 | N/A |
| U.S. Dollar | 102.7 | " |
| Canadian Dollar | 76.8 | " |
| Austrian Schilling | 139.9 | " |
| Belgian Franc | [illegible] | [illegible] |

## EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu January 19 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 42.8301 | +0.88 | +0.88 | ±2.5344 |
| Danish Krone | 7.85212 | 7.81952 | −0.42 | −0.42 | ±1.6404 |
| German D-Mark | 2.05853 | 2.05908 | +0.03 | +0.03 | ±1.0981 |
| French Franc | 6.90403 | 6.89820 | −0.08 | −0.08 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.32220 | +0.12 | +0.12 | ±1.5012 |
| Irish Punt | 0.768411 | 0.774989 | +0.86 | +0.86 | ±1.6684 |
| Italian Lira | 1483.58 | 1467.76 | −1.07 | −1.07 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## POUND SPOT—FORWARD AGAINST THE POUND

| Jan. 19 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5270-1.5410 | 1.5335-1.5345 | 0.67-0.64c pm | 5.12 | 1.76-1.71 pm | 4.52 |
| Canada | 2.0764-2.0901 | 2.0860-2.0870 | 0.58-0.48c pm | 3.05 | 1.49-1.33 pm | 2.70 |
| Netherlands | 3.12½-3.14 | 3.13-3.14 | 1⅛-1⅛c pm | 2.63 | 4⅛-3⅞ pm | 5.18 |
| Belgium | 57.55-57.95 | 57.55-57.65 | 8-1 cpm | 0.94 | 36-26 pm | 2.15 |
| Denmark | 10.50½-10.56¼ | 10.51¾-10.52¾ | ⅝ pm-⅛ ore dis | 0.29 | ¾-1⅝ dis | −0.40 |
| Ireland | 1.0433-1.0477 | 1.0440-1.0450 | 0.25-0.40 p dis | −3.73 | 0.60-0.90 dis | −2.87 |
| W. Germany | 2.77¼-2.78½ | 2.77½-2.78½ | 1⅝-1½ pf pm | 7.01 | 4½-4¼ pm | 6.29 |
| Portugal | 212.85-215.01 | 213.80-214.70 | 120-201c dis | −8.99 | 289-373 dis | −6.18 |
| Spain | 195.89-196.86 | 196.00-196.30 | 23-76 c dis | −3.03 | 75-198 dis | −2.38 |
| Italy | 1973¼-1983¼ | 1974½-1975½ | 1 pm-2 lire dis | −0.30 | par-3 dis | −0.30 |
| Norway | 10.77¼-10.82¾ | 10.78¾-10.79¾ | 4⅛-5⅛ ore dis | −5.14 | 14-15⅛ dis | −5.40 |
| France | 9.28¼-9.32 | 9.29-9.30 | 1½-¼ c pm | 1.45 | 3⅞-2¾ pm | 1.43 |
| Sweden | 9.95¼-9.98½ | 9.96¼-9.97¼ | 1½-1 ore pm | 1.50 | 2½-1¾ pm | 0.85 |
| Japan | 230½-232½ | 231½-232½ | 1½-1¼ y pm | 7.11 | 3⅞-3⅝ pm | 6.47 |
| Austria | 19.46-19.57 | 19.51-19.53 | 9⅞-8⅞ gro pm | 5.57 | 25⅞-22⅞ pm | 3.32 |
| Switzerland | 2.32¼-2.33¼ | 2.32¼-2.33¼ | 1⅞-1½ c pm | 8.38 | 4⅛-4 | 7.09 |

Belgian rate is for convertible francs. Financial franc 58.40-58.50. Six-month forward dollar 3.30-3.25 c pm. 12-month 6.25-6.15 c pm.

## DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

| Jan. 19 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5270-1.5410 | 1.5335-1.5345 | 0.67-0.64c pm | 5.12 | 1.76-1.71 pm | 4.52 |
| Ireland† | 1.4605-1.4720 | 1.4680-1.4690 | 1.02-0.92c pm | 7.96 | 2.70-2.50 pm | 7.11 |
| Canada | 1.3562-1.3595 | 1.3580-1.3590 | 0.22-0.25c dis | −2.08 | 0.60-0.65 dis | −1.84 |
| Netherlands | 2.0330-2.0550 | 2.0425-2.0435 | 0.10-0.07c pm | 1.50 | 0.37-0.32 pm | 1.02 |
| Belgium | 37.50-37.75 | 37.50-37.60 | 10-13c dis | −4.29 | 17-22 dis | −2.39 |
| Denmark | 6.84⅛-6.89 | 6.85¼-6.86¼ | 1.90-2.70 ore dis | −4.02 | 6.55-7.45 dis | 4.07 |
| W. Germany | 1.8025-1.8175 | 1.81-1.8125 | 0.31-0.28pf pm | 1.95 | 0.84-0.79 pm | 1.80 |
| Portugal | 139¼-140¼ | 139¾-140 | 130-160c dis | −12.43 | 330-400 dis | −10.43 |
| Spain | 127.55-128.38 | 127.80-127.90 | 70-95 c dis | −7.73 | 195-235 dis | −6.71 |
| Italy | 1284-1294 | 1287¼-1287¾ | 5-6½ lire dis | −5.34 | 14½-16 dis | −4.73 |
| Norway | 7.02-7.05½ | 7.03¼-7.03¾ | 5.70-6.50ore dis | −10.39 | 17.40-18.20dis | −10.11 |
| France | 6.03¾-6.08½ | 6.05¾-6.06¼ | 1.70-2.20c dis | −3.86 | 4.85-5.35 dis | −3.36 |
| Sweden | 6.48-6.52 | 6.49½-6.50 | 1.80-2.30 ore dis | −3.78 | 5.90-6.50 dis | −3.81 |
| Japan | 150.85-151.38 | 151.25-151.35 | 0.30-0.28y pm | 2.31 | 0.79-0.76 pm | 2.04 |
| Austria | 12.68½-12.78½ | 12.70½-12.71 | 0.80pm-20gropm | 0.47 | 2.25-0.75pm | 0.47 |
| Switzerland | 1.5095-1.5220 | 1.5175-1.5185 | 0.41-0.38c pm | 3.12 | 0.98-0.93 pm | 2.52 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.05-38.15.

## EURO-CURRENCY INTEREST RATES

| Jan. 19 | Short term | 7 Days' notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 11-11¼ | 11-11¼ | 11-11⅛ | 10⅞-11 | 10¾-10⅞ | 10[illegible]-10[illegible] |
| U.S. Dollar | N/A | 6⅛-6⅜ | 6⅛-6¼ | 6⅛-6¼ | 6⅛-6⅜ | 6⅛-6⅜ |
| Can. Dollar | 7⅞-8⅛ | 7⅞-8⅛ | 7⅞-8⅛ | 7⅞-8⅛ | 7⅞-8⅛ | 7⅞-8⅛ |

## FT LONDON INTERBANK FIXING

| (11.00 a.m. Jan. 19) 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 6⅛ | Offer 6¼ | bid 6⅛ | Offer 6¼ |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de *Paris and Morgan Guaranty Trust*.

## MONEY RATES

### NEW YORK (Lunchtime)

| | |
|---|---|
| Prime rate | 7½ |
| Broker loan rate | 7¼ |
| Fed. funds | 5⅞ |
| Fed. funds at intervention | 5[illegible] |

### Treasury Bills and Bonds

| | | | |
|---|---|---|---|
| One month | 4.86 | Three year | 6.39 |
| Two month | 5.31 | Four year | 6.53 |
| Three month | 5.47 | Five year | 6.60 |
| Six month | 5.60 | Seven year | 6.86 |
| One year | 5.69 | 10 year | 7.02 |
| Two year | 6.19 | 20 year | 7.33 |

| Jan. 19 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 4.00-4.10 | 4.30-4.45 | 4.25-4.40 | 4.35-4.50 | 4.35-4.50 | 5.5 |
| Paris | 9⅞-9½ | 8¼-8⅞ | 8½-8⅝ | 8⅞-8½ | 8[illegible]-8[illegible] | 7 |
| Zurich | ⅞-1⅛ | 3⅞-3½ | — | 3[illegible]-3[illegible] | — | — |
| Amsterdam | 6½-6¾ | 5¾-5⅞ | — | 5½-5⅝ | — | — |
| Tokyo | 3.96875 | 4.28125 | — | 4.34375 | — | — |
| Milan | 11¾-12½ | 11⅞-12⅛ | — | 11½-12 | — | — |
| Brussels | 9.00 | 7⅞-8 | — | 7⅞-7⅞ | — | — |
| Dublin | 13⅞-13⅞ | 13[illegible]-13[illegible] | 13⅞-13⅞ | 13¼-13⅞ | 12⅞-12⅞ | — |

## LONDON MONEY RATES

| Jan. 19 | Overnight | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 13-10¼ | 11⅛-11 | 11⅛-11 | 11-10⅞ | 10⅞-10¾ | 10⅞-10¾ |
| Sterling CDs | — | — | 11[illegible]-10[illegible] | 10[illegible]-10[illegible] | 10[illegible]-10[illegible] | 10⅞-10½ |
| Local Authority Deposits | 11-10⅞ | 11-10⅞ | 11 | 10⅞ | 10⅞ | 10⅞-10[illegible] |
| Local Authority Bonds | — | — | 11⅛ | 11⅛ | 11⅛ | 11 |
| Discount Market Deposits | 12½-10½ | 10⅞ | 10⅞ | 10¾ | — | — |
| Company Deposits | 11⅛ | 11⅛ | 11⅛-11⅛ | 11 | 10[illegible] | 10[illegible] |
| Finance House Deposits | — | — | 11⅛ | 11 | 11 | 11 |
| Treasury Bills (Buy) | — | — | 10[illegible] | 10⅞ | — | — |
| Bank Bills (Buy) | — | — | 10[illegible] | 10[illegible] | 10⅞ | — |

## MONEY MARKETS

# London rates ease

INTEREST RATES continued to ease in London. Period rates shed *a sixteenth of* a point, helped by sterling's firmer trend. However the latter was mostly a reflection of dollar weakness *and although a* surprise negative PSBR requirement for December improved sentiment, there was little talk of any cut in interest rates just yet. Three-month interbank money was quoted at 11-10⅞ per cent down from 11⅛-11 per cent on Friday. Overnight money traded up to a high of 13 per cent but eased to a lower of 10¼ per cent.

**UK clearing bank base lending rate 11 per cent since October 15**

The Bank forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £864m and Exchequer *transactions* a further £180m. In addition banks brought forward balances £65m below target. These were partly offset by a fall in the note circulation which added £315m.

The shortage was revised to £1,000m and the Bank gave assistance of £341m in the *morning* which comprised outright purchases of £5m of eligible bank bills in band 1 at 10⅞ per cent, £69m in band 2 at 10[illegible] per cent, £3m in band 3 at 10¾ per cent and £3m in band 4 at 10[illegible] per cent. It also provided sale and repurchase agreements on £261m of bills at 10[illegible]-10[illegible] per cent, unwinding on January 22.

The forecast was revised to a shortage of around £950m before taking into account the morning help and was revised yet again to a shortage of £1,050m. In the afternoon the Bank gave assistance of £196m through outright purchases of £10m of eligible bank bills in band 1 at 10⅞ per cent and in band 2 £3m of Treasury bills and £94m of eligible bank bills all at 10[illegible] per cent. In band 4 it bought £6m of eligible bank bills at 10[illegible] per cent and also arranged sale and repurchase agreements on £83m of bills at 10[illegible] per cent for resale to the market on January 22. Late help came to £460m, making a total of £997m.

*In Frankfurt tomorrow's expiring* sale and repurchase facility which will drain DM4.9bn from the market will not be replaced, according to a spokesman from the Bundesbank. This is seen as a further attempt by the authorities to drain an excess of domestic liquidity caused by *recent central bank* support for the dollar and an inflow of funds in view of the D-Mark's attraction.

In Amsterdam the Dutch central bank announced its intention to offer additional special advances in addition to the Fl5.4bn already *in effect*. The facility runs from yesterday until January 23, the same maturity date as the previous agreement. Both carry an interest rate of 5.0 per cent.

## FINANCIAL FUTURES

# Gilts lose early gains

GILT PRICES surrendered early *gains in the London International* Financial Futures Exchange yesterday. Prices opened on a firmer note, helped by sterling's slight improvement. Sentiment was boosted further by news that December's UK PSBR requirement showed a net repayment of £1.22bn, considerably *better than almost* all expectations. However, certain one-off distortions such as the sale of British Gas and early tax payments meant that closer analysis of the figures painted not quite such a rosy picture.

News that UK retail sales fell by 0.4 per cent in December and a rise of 0.2 per cent in industrial output *were much in line with expectations* and appeared to have little effect on trading. The December long gilt price opened at 115-25 up from 115-18 on Friday and reached a best level of 116-02 before slipping away to close at 115-01. Cash rates in the interbank market shed a sixteenth *of a point or so but three-month* sterling deposits in the futures market were unchanged.

The dollar's sharp fall had only a limited effect on US Treasury bonds and three-month Euro-dollar deposits. There was little sign of external liquidation of bond holdings with many believing that the *US authorities would* soon be pushed into reducing interest rates in order to stimulate economic growth.

The March Treasury bond price opened at 100-17 up from 100-10 and traded between a high of 100-20 and a low of 100-09 before closing at 100-18. *Three-month Euro-dollar* deposits for March delivery traded in a two tick range all day, closing at 94.02 compared with 94.03 at the opening and 94.04 on Friday. Trading was affected to some extent by the partial closure of some US institutions for a public holiday.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Mar. | Calls—Last June | Puts—Last Mar. | Puts—Last June |
|---|---|---|---|---|
| 106 | 9.02 | 9.34 | 0.00 | 0.18 |
| 108 | 7.04 | 7.49 | 0.02 | 0.33 |
| 110 | 5.10 | 6.10 | 0.08 | 0.58 |
| 112 | 3.27 | 4.46 | 0.25 | 1.30 |
| 114 | 2.00 | 3.31 | 0.62 | 2.15 |
| 116 | 1.01 | 2.31 | 1.63 | 3.15 |
| 118 | 0.27 | 1.45 | 3.25 | 4.29 |
| 120 | 0.10 | 1.07 | 5.08 | 5.55 |

Estimated volume total, Calls 1,103 Puts 1,206

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Mar. | Calls—Last June | Puts—Last Mar. | Puts—Last June |
|---|---|---|---|---|
| 90 | 10.32 | 9.59 | 0.00 | 0.15 |
| 92 | 8.32 | 8.09 | 0.00 | 0.29 |
| 94 | 6.34 | 6.32 | 0.02 | 0.52 |
| 96 | 4.40 | 5.01 | 0.08 | 1.21 |
| 98 | 2.59 | 3.48 | 0.27 | 2.04 |
| 100 | 1.37 | 2.45 | 1.05 | 3.01 |
| 102 | 0.46 | 1.56 | 2.14 | 4.12 |
| 104 | 0.17 | 1.16 | 3.49 | 5.36 |

Estimated volume total, Calls 1 Puts 10

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last Jan | Calls—Last Feb | Puts—Last Jan | Puts—Last Feb |
|---|---|---|---|---|
| 16750 | 12.25 | 12.35 | 0.00 | 0.10 |
| 17000 | 9.75 | 9.99 | 0.00 | 0.24 |
| 17250 | 7.25 | 7.77 | 0.00 | 0.52 |
| 17500 | 4.78 | 5.77 | 0.03 | 0.82 |
| 17750 | 2.51 | 4.06 | 0.26 | 1.81 |
| 18000 | 0.90 | 2.69 | 1.15 | 2.94 |
| 18250 | 0.19 | 1.19 | 2.94 | 4.42 |
| 18500 | 0.02 | 0.96 | 5.27 | 6.21 |

Estimated volume total, Calls 10, Puts 20

### LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Mar. | 1.5250 | 1.5275 | 1.5200 | 1.5065 |
| June | 1.5086 | 1.5117 | 1.5085 | 1.4900 |
| Sept. | 1.4940 | — | — | 1.4747 |

Estimated volume 43 (3)
Previous day's open int. 983 (983)

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 11 | ● Charterhouse Bank | 11 | ● Morgan Grenfell | 11 |
| Adam & Company | 11 | Citibank NA | 11 | Mount Credit Corp. Ltd. | 11 |
| Allied Arab Bk Ltd. | 11 | Citibank Savings | ¶12.45 | Nat Bk. of Kuwait | 11 |
| Allied Dunbar & Co. | 11 | City Merchants Bank | 11 | National Girobank | 11 |
| Allied Irish Bank | 11 | Clydesdale Bank | 11 | Nat Westminster | 11 |
| American Exp. Bk. | 11 | Comm. Bk. N. East | 11 | Northern Bank Ltd. | 11 |
| Amro Bank | 11 | Consolidated Cred. | 11 | Norwich Gen. Trust | 11 |
| Henry Ansbacher | 11 | Co-operative Bank | *11 | PK Finans. Intl (UK) | 11½ |
| ANZ Banking Group | 11 | Cyprus Popular Bk. | 11 | Provincial Trust Ltd. | 12 |
| Associates Cap Corp. | 11 | Duncan Lawrie | 11 | R. Raphael & Sons | 11 |
| Authority & Co Ltd. | 11½ | E. T. Trust | 12 | Roxburghe G'rantee | 11½ |
| Banco de Bilbao | 11 | Equator'l Tst C'p plc | 11 | Royal Bk of Scotland | 11 |
| Bank Hapoalim | 11 | Exeter Trust Ltd. | 11½ | Royal Trust Bank | 11 |
| Bank Leumi (UK) | 11 | Financial & Gen. Sec. | 11 | Standard Chartered | 11 |
| Bank Credit & Comm. | 11 | First Nat. Fin. Corp. | 11½ | Trustee Savings Bank | 11 |
| Bank of Cyprus | 11 | First Nat. Sec. Ltd. | 11½ | UDT Mortgage Exp. | ¶12.25 |
| Bank of Ireland | 11 | ● Robert Fleming & Co. | 11 | United Bk of Kuwait | 11 |
| Bank of India | 11 | Robert Fraser & Ptrs | 12 | United Mizrahi Bank | 11 |
| Bank of Scotland | 11 | Grindlays Bank | ‡11 | Westpac B'nking Corp | 11 |
| Banque Belge Ltd. | 11 | ● Guinness Mahon | 11 | Whiteaway Laidlaw | 11½ |
| Barclays Bank | 11 | HFC Trust & Savings | 11 | Yorkshire Bank | 11 |
| Benchmark Tst Ltd. | 11 | ● Hambros Bank | 11 | | |
| Beneficial Trust Ltd. | 12 | Heritable & Gen. Tst. | 11 | | |
| Berliner Bank AG | 11 | ● Hill Samuel | §11 | | |
| Brit. Bk. of Mid. East | 11 | C. Hoare & Co | 11 | | |
| ● Brown Shipley | 11 | Hongkong & Shangh' | 11 | | |
| CL Bank Nederland | 11 | Lloyds Bank | 11 | | |
| Canada Permanent | 11 | Mase Westpac Ltd. | 11 | | |
| Cayzer Ltd | 11 | Meghraj & Sons Ltd. | 11 | | |
| Cedar Holdings | 12 | Midland Bank | 11 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

# £ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 19, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

*Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.*

| Country | Currency | Value of £ Sterling |
|---|---|---|
| Afghanistan | Afghani | 99.20 |
| Albania | Lek | 10.29 |
| Algeria | Dinar | 7.1047 |
| Andorra | French Franc / Spanish Peseta | 9.2950 / 196.15 |
| Angola | Kwanza | 44.4640 |
| Panama | Balboa | 1.5340 |
| Papua New Guinea | Kina | 1.4620 |
| Paraguay | Guarani | 369.12 / 1000.34 |
| Peru | Inti | (exc(o)21.46 / 30.985 |
| Ghana | Cedi | 232.712 |
| Gibraltar | Gibraltar £ | 1.0 |
| Greece | Drachma | 214.25 |
| Greenland | Danish Krone | 10.72 |
| Grenada | E. Caribbean $ | 4.14 |

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1986/87 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | "Shorts" (Lives up to Five Years) | | | | |
| 102 | 99 | Exch. 13¼pc 1987 | 100 | +1 | — | — |
| 100⅞ | 97 | Treas 10¼pcCv '87 | 99 | .... | — | — |
| 99 | 92 | Exch 2½pc 1987 | 99 | + | 2.51 | 9.30 |
| 101 | 97½ | Exch. 10½pc 1987 | 99¾ | ..... | 10.52 | 10.97 |
| 100 | 93⅞ | Funding 6½pc 85-87 | 99¼ | + | 6.55 | 9.36 |
| 101½ | 96 | Treas. 10pc 1987 | 99 | .... | 10.02 | 10.50 |
| 97 | 90⅞ | Treas 3pc 1987 | 97 | .... | 3.07 | 7.89 |
| 104½ | 99½ | Treas. 12pc 1987 | 101 | + | 11.88 | 10.43 |
| 99¼ | 92 | Treas 7¾pc 1985-88‡‡ | 97 | – | 7.92 | 10.11 |
| 104 | 96¼ | Exch 10½pc '88 | 99 | + | 10.51 | 10.54 |
| 102⅝ | 95⅛ | Treas 9¾pc Cv '88 | 98 | + | 9.86 | 10.57 |
| 94¼ | 86⅝ | Transport 3pc '78-88 | 93 | – | 3.21 | 7.90 |
| 102½ | 93 | Treas. 9½pc '88 | 98¼ | + | 9.67 | 10.60 |
| 107 | 98 | Treas 11½pc 1989 | 101 | + | 11.32 | 10.65 |
| 103½ | 93⅞ | Treas 9½pc Cnv 1989 | 97⅞ | ..... | 9.70 | 10.53 |
| 92⅞ | 82 | Treas 3pc 1989 | 89¼ | + | 3.35 | 7.96 |
| 105 | 95 | Treas 10½pc 1989 | 99⅞ | ..... | 10.51 | 10.55 |
| 104 | 94½ | Exch 10pc 1989 | 98 | ..... | 10.12 | 10.59 |
| 107 | 97 | Exch 11pc 1989 | 100 | + | 10.90 | 10.59 |
| 93 | 84½ | Treas 5pc 1986-89 | 90 | – | 5.52 | 8.93 |
| 110 | 94⅝ | Exch 10¼pcCv '89 | 100 | – | 10.14 | 9.79 |
| 114 | 103 | Treas 13pc 1990‡‡ | 106 | + | 12.26 | 10.59 |
| 108¼ | 97¼ | Exch 11pc 1990‡‡ | 101 | + | 10.87 | 10.55 |
| 113⅝ | 101 | Exch. 12¼pc 1990 | 105 | + | 11.90 | 10.57 |
| 89¼ | 79⅝ | Treas. 3pc 1990 | 85 | + | 3.53 | 8.27 |
| 100 | 89⅝ | Treas 8¼pc 1987-90‡‡ | 94 | + | 8.71 | 10.11 |
| 106 | 93 | Treas. 10pcCv 1990 | 98 | + | 10.19 | 10.59 |
| 86 | 76½ | Exch 2½pc 1990 | 81 | – | 3.06 | 8.12 |
| 112 | 99 | Treas 11¾pc 1991 | 103 | – | 11.52 | 10.54 |
| 94¼ | 83 | Funding 5¾pc '87-91‡‡ | 87 | + | 6.55 | 9.30 |
| 86¼ | 79 | Treas. 3pc 1991● | 80 | – | 3.71 | 8.36 |
| 101 | 95 | Treas 10pc Cv '91 | 101 | – | 9.89 | 9.62 |
| 110⅝ | 96 | Exch. 11pc 1991 | 101 | + | 10.79 | 10.46 |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

### Index-Linked

### INT. BANK AND O'SEAS GOVT STERLING ISSUES

### CORPORATION LOANS

### COMMONWEALTH & AFRICAN LOANS

### LOANS

### Building Societies

### Public Board and Ind.

### Financial

### FOREIGN BONDS & RAILS

### AMERICANS

### AMERICANS—Cont.

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### BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

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### BUILDING, TIMBER, ROADS

### BUILDING, TIMBER, ROADS—Cont

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### DRAPERY & STORES—Cont.

### ELECTRICALS

### ENGINEERING

### ENGINEERING—Continued

### FOOD, GROCERIES, ETC

### HOTELS AND CATERERS

### INDUSTRIALS (Miscel.)

### INDUSTRIALS—Continued

## INDUSTRIALS—Continued

| 1986/87 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 102 | 70 | ♦Metsec 10p | 76 | ..... | L2.4b | 2.6 | 4.6 | 11.7 |
| 78½ | 45 | Mitchell Cotts | 65½ | –½ | 1.5 | 2.1 | 3.2 | 16.9 |
| 128 | 81 | ♦Monks & Crane 10p | 120 | ..... | L2.7 | 2.9 | 3.2 | 14.7 |
| 323 | 210 | Morgan Crucible | 320 | ..... | 10.5 | 1.5 | 3.7 | 21.3 |
| 23½ | 15½ | ♦Morris (W) F.A. 20p | 21 | +½ | — | — | — | — |
| 168 | 65 | Myson Grp 10p | 168 | ..... | 12.63 | 2.6 | 2.2 | 21.7 |
| 365 | 213 | ♦NMW Computers | 270 | +5 | 16.0 | 3.0 | 3.1 | 15.5 |
| 141 | 27 | Nash Inds. | 130 | +2 | 1.5 | ♦ | 1.6 | ♦ |
| 27½ | 12½ | Neil & Spencer 10p | 17 | ..... | — | — | — | — |
| 39 | 28 | Newman Inds 10p | 37 | ..... | 10.8 | 1.5 | 3.0 | 28.3 |
| 134 | 65 | Noble & Lund 10p | 98 | –1 | 0.7 | 4.3 | 1.1 | 29.6 |
| 65 | 39 | Nolton | 55 | ..... | 1.2 | 2.9 | 3.1 | 15.8 |
| 152 | 96 | ♦Norsk Systems 5p | 152 | ..... | m1.5 | — | 1.4 | 19.5 |
| 286 | 187 | Norcros | 273 | –2 | 19.3 | 2.3 | 4.8 | 12.5 |
| 222 | 49 | Nu-Swift 5p | 222 | ..... | 13.5 | 2.1 | 2.2 | 29.9 |
| 356½ | 228 | OCE 9pc Cnv 1987-92 | £292½ | +5 | Q9% | — | 3.1 | — |
| 118 | 80 | Oakwood Grp. | 115 | –3 | 4.0 | ♦ | 5.1 | ♦ |
| 250 | 173 | Office & Elect. | 190 | ..... | 8.5 | 2.9 | 6.3 | 7.7 |
| 34 | 26 | ♦Omnitech 1p | 32 | ..... | — | — | — | — |
| 36 | 18 | ♦Optometrics $0.01 | 23 | ..... | — | — | — | — |
| 890 | 500 | Ortiform £1 | 805 | –10 | 128.5 | 2.1 | 5.0 | 15.6 |
| 10 | 5 | Owenstone 12½c | 6¼ | ..... | — | — | — | — |
| 142 | 85 | ♦PCT Grp 10p | 125 | ..... | 43.2 | — | 5.3 | — |
| £20½ | £13¾ | PLM 'B' Sk 25 | £16¾ | ..... | Q29.2% | 0.3 | 3.6 | — |
| 255 | 160 | ♦Pacer Systems $0.01 | 168 | –2 | L03.0 | 4.3 | 1.6 | 14.8 |
| 78 | 44 | ♦Pacific Sales 10p | 47 | –1 | 3.0 | 1.4 | 9.0 | 11.2 |
| 528 | 246 | Parker Knoll 'A' | 505 | –18 | 12.0 | 3.2 | 3.3 | 13.2 |
| 222 | 83 | ♦Parkfield Group 2p | 211 | ..... | 3.6 | 4.2 | 2.4 | 13.4 |
| 53 | 17 | ♦Parlon Intl | 28 | ..... | — | — | — | 7.4 |
| 130 | £64½ | Do 11pc CnLn '94-02 | 692 | ..... | Q11% | — | 02.5 | — |
| 617 | 393 | Pearson | 593 | –7 | 120.0 | 2.8 | 2.4 | 19.3 |
| 50 | 12 | Peck Holdings 3p | 42½ | –½ | — | — | — | — |
| 176 | 88 | Peerless | 158 | –2 | 16.3 | 1.5 | 5.7 | 13.9 |
| 519 | 141½ | Pentland 10p | 505 | –10 | †h0.75 | 22.4 | 0.2 | 28.6 |

## LEISURE—Continued

| 1986/87 High | Low | Stock |
|---|---|---|
| 63½ | 32 | Leisure Inv 10p |
| 112 | 55 | Leisuretime Int 10p |
| 125 | 91 | ♦Lewmar |
| 98 | 71 | ♦Marina Dev. 50p |
| 172½ | 143 | Mecca Leisure 10p |
| 220 | 96 | ♦Media Tech Int 20p |
| 170 | 130 | Medminster 10p |
| 450 | 228 | ♦Midsummer Lsr. 50p |
| 220 | 190 | ♦Miles World 10p |
| 90 | 62 | Nationwide Leisure |
| 17 | 8 | ♦Ningsto Int 20c |
| 294 | 114 | Orion Ex Hlds $0.125 |
| 46½ | 23 | ♦Owners Abroad 3p |
| 90 | 46 | Photax (Lon.) |
| 43 | 25½ | ♦P'cilly Radio NV 5p |
| 78 | 29½ | ♦Pineapple 10p |
| 391 | 280 | Pleasurama 5p |
| 178 | 136 | Do. 7pcCvCmRedPf |
| 157 | 94 | Prestwich |
| 49 | 18 | ♦Radio City 'A' NV |
| 60 | 33 | ♦Radio Clyde N/V |
| 403 | 322 | Really Useful Grp 5p |
| 64 | 36½ | Riley Leisure 10p |
| 230 | 129 | Saga Hols. 20p |
| 355 | 148 | Samuelson Grp 20p |
| 125 | 69 | ♦Sangers Photo 10p |
| 178 | 93 | Status 20p |
| 363 | 375 | Scott. TV 10p |
| 27 | 7 | ♦SelecTV 10p |
| 37 | 20 | ♦Spectrum 5p |
| 199 | 119 | Stanley Leisure |
| 49½ | 31 | TSW 5p |
| 235 | 197 | ♦TV-am 10p |
| 282 | 144 | TVS N/Vtg 10p |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

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### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## INSURANCES

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## PROPERTY—Continued

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### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

## NOTES

## REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 30
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £825 per annum for each security.

# LONDON STOCK EXCHANGE

| Account Dealing Dates | | | |
|---|---|---|---|
| *First Dealings | Option Declarations | Last Dealings | Account Day |
| Dec 22 | Jan 8 | Jan 9 | Jan 19 |
| Jan 12 | Jan 22 | Jan 23 | Feb 2 |
| Jan 26 | Feb 5 | Feb 6 | Feb 16 |

* New time dealings may take place from 9.00 am two business days earlier.

## Currency uncertainties unsettle Government bonds and turn equities lower

The sharp fall in the US dollar, bringing in its train an initial downturn on Wall Street, unsettled the international stocks on the London securities market yesterday, finally clipping the top off the two-week-long upswing in share prices. Nervousness in both Gilts and equities was sufficient to outweigh favourable news on Britain's Public Sector Borrowing (PSBR) and industrial output.

There was no great pressure of selling at first, and the stock market was staging a successful rally from early falls when fresh discouragement came in the form of news that Giles & Overbury, a smallish broker and subsidiary of Charnley Davies, had become insolvent.

When Wall Street came in with an early fall of 15 points, equities headed downwards in London. The FT-SE 100 index, nine points off in early trade, but steady at mid-session, closed a net 10.6 down at 1778.4, in its first downward move since January 5. The FT ordinary index shed 6.0 to 1397.0.

Also discouraging equities was a reversal of early gains, in Gilt-edged, despite City satisfaction with the PSBR figures for December, showing net debt repayment. On the news, Gilts had extended early gains to a net ⅜, challenging the 10 per cent yield again at the long end.

But at this level, traders found themselves alone in the market, and prices slipped back to close with net losses of nearly half a point.

The authorities were active, mopping up some cash by meeting two tenders for the 10 per cent 1994 tap stock but retaining some stock, and indicating that the price would be higher next time. The index-linked (IL) 2024 tap was finally taken out, and other IL stcks eased with the conventional sector.

The dollar's weakness discouraged international buyers of equities, and oil shares spotlighted a general malaise among the multinational issues—British Petroleum was targeted by the profit-takers. With the sterling exchange rate index charting an uncertain path, exporting stocks gave ground, headed by Imperial Chemical Industries.

A fall in December retail sales was no help to the stores and consumer stocks. The firm exception was Cadbury-Schweppes, which again attracted speculative buyers from across the Atlantic.

As the gold price was sharply higher in response to the dollar's fall, South African mines moved up strongly. Interest spilled over into North American gold producers, such as Echo Bay Mines.

### Royal Ins. down

Fears that substantial flood damage claims would be made once the thaw sets in across the UK unsettled Composite Insurances. Royals, were particularly vulnerable and closed 14 down at 863p, while GRE fell 10 at 819p and General Accident 8 at 857p. Sun Alliance relinquished 4 at 694p and Commercial Union softened a couple of pence at 287p. Life issues gave ground with Pearl, speculatively supported late last week on vague rumours of a possible bid from the TSB, down 4 at 361p on profit-taking. Prudential dipped 8 at 842p and Sun Life softened 5 at 942p.

Clearing banks were a lot quieter after last Friday's excitement created by the Government's abortive attempt to make banking takeovers subject to political control. Yesterday, general low-key inter market-maker activity saw prices drift lower at 604p. Barclays cheapened a few pence at 544p. TSB cheapened 2½ to 79½p the preliminary results are scheduled for January 29. Elsewhere, Morgan Grenfell touched 428p at the outset following week-end comment which highlighted bid possibilities, before reacting on profit-taking to close 10 lower on balance at 415p. Kleinwort Benson, rising market of late on far-eastern stakebuilding rumours, retreated 15 at 605p and Hill Samuel gave up 3 at 515p as speculative support was withdrawn.

Trade in Guinness became more evenly balanced after the recent weakness and although the shares lost further ground the close was only 4 lower at 267p. Movements elsewhere in the drinks sector were few with Merrydown gaining 7 to 378p and Irish Distillers 5 to 193p. Light speculative buying lifted Merland 7 more to 393p.

The recent surge in the Building sector was checked yesterday with the onset of light profit-taking. Losses of a few pence were seen in the majority of leading issues, although Blue Circle, dull last week on news that Adelaide Steamship had reduced its stake in the company, were a steady market and closed only marginaly cheaper at 691p, the price sustained by reports of a broker's recommendation. Redland slipped 5 to 437p and Tarmac softened 4 to 454p, but Marley attracted support ahead of a broker's presentation and added 1 to 130p. Brick concerns remained in vogue, Baggeridge Brick rising 15 to 570p and Nottingham Brick firming 4 to 299p, the latter reflecting revived hopes of a bid from Steetley. Elsewhere, John Laing, a particularly firm market last week, mainly reflecting the efforts of one sizeable buyer, turned easier on profit-taking and closed 12 at 433p. John Maunders put on 6 to 204p following land acquisition news, while Finlan, which announced the purchase of building and merchanting group Witting Brothers last week, added 3 to 103p.

ICI shaded £11⅛ reflecting Sterling/D-Mark inclueneces, but other leading Chemicals showed little alteration. Among the second-liners, Wolstenholme Rink rose 13 to 286 following reports of speculative buying.

Disappointing retail sales figures for December showing a provisional fall of 0.4 per cent prompted weakness in leading Stores. Harris Queensway dipped 6 at 208p and Burton fell 3 at 283p, while Storehouse gave up 3 at 273p and Dixons 4 at 324p. Marks and Spencer softened a penny at 197p, but Woolworth moved against the trend with a rise of 19 at 707p. Gussies "A", still reflecting an opinion that mail order business could benefit from the cold weather spell, firmed ⅛ more to £11⅛. Elsewhere, Smallbone rose 9 to 212p following news of the acquisition of Pipe Dreams (London), a retailer of luxury bathroom fittings and sanitaryware. Lee Cooper, however, came on offer at 293p, down 12 and Wigfalls dropped 20 at 175p.

### BT easier

Fears of a total strike by the company's engineering workers in pursuit of a wage claim unsettled British Telecom which gave up 4½ at 217½. Cable and Wireless, meanwhile, reflected far-eastern market influences with a decline of 16 at 350p, after 347. Elsewhere, Electronic Rentals' static profits were deemed disappointing and the shares fell 8 to 52p. Oxford Instruments firmed 13 to 448p following news of the merger discussions with UEI, 11 off at 375p. Dale featured with a press-inspired gain of 4 to 68p and Microgen rose 12 to 442p for the same reason. Real Time Controls jumped 5 to 73p in response to the bumper results and speculative gains of around 7 were seen in AMS Industries, 60p, and Norbain, 68p. Memcom added 4 at 28p and AB Electronic gained 5 at 378p.

Engineers recorded several noteworthy movements, with APV, up 10 at 588p, and Baker Perkins, 10 higher at 356p on further consideration of the agreed merger proposals. Ratcliffs (GB) responded smartly to a week-end press recommendation with a gain of 11 at 111p, while Thomas Locker hardened a few pence to 37p for a similar reason. Hall Engineering improved 5 to 255p following acquisition news; Regentcrest holds a near 10 per cent stake in the company. In contrast, Brooke Tool eased 3 to 37p after the preliminary results, while a recommendation to take profits prompted a reaction of 4 to 103p in Camford. Still reflecting disappointment with Valudale's increased offer terms, Simon Engineering fell 8 further to 293p for a two-day loss of 27. Leading issues followed the trend, with quotations drifting off in quiet trading.

Confectionery issues featured an otherwise subdued Food Manufacturing sector. Cadbury Schweppes, reflecting revived US demand, gained 8 to 203p, while Rowntree Mackintosh moved up 9 to 442p following reports of a broker's circular. S. & W. Berisford were a dull market on fears that the potential bids from Tate and Lyle and Ferruzzo if Italy would be blocked by the Monopolies Commission and the price settled 9 lower at 259p. Among Retailers, Argyll were well supported and rose 13 to 358p; Argyll is thought to be keen to acquire the Safeway UK supermarket chain, but it was reported at the weekend that Safeway may float the UK side of the London market. Albert Fisher added 3¼ to 186p following details of the acquisition of SPI, a frozen fish wholesaler for some £8.5m.

London Park Hotels encountered profit-taking and ran back 19 to 505p.

### Pilkington react

Pilkington, up 25 last Friday, following the company's profits forecast in defence against the BTR bid, encountered profit-taking awaiting a decision from the latter on an increased offer and fell 15 to 695p. BTR eased 4 to 289p. Other leading issues traded on a rather dull note. Conditions were not particularly active, although Glaxo were briskly traded (6.3m) before settling unaltered at 1122p, while a reasonable volume was transacted in Hanson, 3½ lower at £11¼. Unilever, however, continued to resist the trend on hopes of an increase in frozen food sales and closed 3¼ higher at £22⅞. Elsewhere, in the miscellaneous industrial sector, Reuters B, partly reflecting US influences, fell 10 to 594p. Interest faded in Pentland Industries which fell a like amount to 505p. Rexmore, in contrast, were enlivened by Press mention and firmed 4½ to 46p, while tip sheet recommendations left gains of a few pence in Willaire Systems, 12¼p, Centreway, 42p, and Benlox, 52p. Occasional demand prompted a rise of 7 to 315p in British Vita, while Interoupe Technology were noteworthy for a gain of 13 at 261p. Scott Greenham hardened 3 to 159p on news of the sale of Deborah Coatings, but Burndene, a good market last Friday, eased 14 to 106p awaiting today's preliminary statement.

Currency influences took a toll on Jaguar, down 5 at 573p, and Lucas Industries reacted 5 to 512p. Distributor Appleyard regained part of the previous session's fall to end 8 higher at 183p, while T. Cowie gave up 4 further at 238p; the latter announced the sale of its 10.37 per cent stake in Appleyard to institutional investors late on Friday. British Car Auction drifted back 4 to 188p but Lookers rose 8 to 233p awaiting today's preliminary statement.

Good trading statements had little lasting effect on Paper/Printings with the exception of David S. Smith, 6 firmer at 286p. Awaiting today's first-half figures, Clarke Hooper rose 7 to 158p. Bristol Evening Post were prominent in Newspapers, rising 10 to 200p, while Accord Publications improved 5 further to 191p. Australian advices were responsible for a fall of 60 to 730p in News Corporation. Elsewhere, Press comment aroused demand for Davidson Pearce, 6 dearer at 161p, and support of Aspen Communications, 4 better at 340p. Saatchi and Saatchi retreated 10 to 742p.

Secondary issues continued to provide the noteworthy movements in the Property sector. Estate agents Connells posted the outstanding gain, rising 10 to 315p, after 321p, following the announcement that the company had rejected a takeover approach from an unnamed party. Press comment stimulated interest in Alfred Walker, a net 10 up at 131p and Regalian, 5 dearer at 350p. Local London, still reflecting a broker's recommendation, rose 12 afresh to 435p and Lynton gained 10 to 385p. Cons Farm Investments attracted buyers at 46p, up 4. County Properties rose 5 to 201p following the annual results.

P. & O., which declared its offer for European Ferries unconditional yesterday, moved marginally to 548p. Ocean Transport were harder at 243p following the opening of a new £2m warehouse and distribution facility in Rotterdam and plans to create two more by the end of the decade.

Readicut were favoured again and advanced 4 further to a 1986-87 peak of 52½p but sector leader Courtaulds went with the general market trend and closed 4 down at 350p. John Crowther also resisted the overall move lower, ending 3 dearer at 158p while domestic influences took Irish-based Glen Abbey up 5½ more to 91p.

BAT Industries were unable to make headway, being subdued still by Greenwell Montagu's downgraded profits forecast; the shares settled a further 6 off at 495p. Rothmans International were steadier at 183p.

Panfida Capital's increased offer terms lifted "Investing in Success" Equities 30 to 945p while other Investment Trust features included Energy Resources and Services, 420p, which rose 20. Weekend newspaper mention boosted Argyle Trust 6 to 120p and USM-listed Yelverton Investments 4 to 35p. National Home Loans were active and 8 up at 128p, while Flextech, USM stock, moved 7 higher to 52p.

### Oils drift

The Oil majors drifted easier despite another resilient performance by crude prices. British Petroleum slipped to 791p prior to closing 6 off at 796p, Britoil shed 4½ to 195p and LASMO a similar amount to 168½p. Enterprise were 5 down at 190½p and recent takeover favourite Tricentrol 3 cheaper at 80p. Elsewhere, North West Exploration gained 4 to 24p following newsletter comment and Highland Participants rose 6 to 100p reflecting speculative buying.

Polly Peck were firmer in ex-scrip form at 145p, up 3, but other Overseas Traders hovered either side of Friday's closing levels. Bertam highlighted Plantations, gaining 13 to 84p on Far Eastern buying interest.

A jump of $6¾ to $422 in the London bullion prices, reflecting the fall in the US dollar, brought widespread gains in gold-orientated stocks yesterday. Among the South African producer issues, share prices gained as much as £2, with most of the gains chalked up within the first three hours of trading.

Most of the buying came from Cape sources.

Among the best favoured stocks were Vaal Reefs and Southvaal. The absence of US support towards the end of the London session brought some of the producer stocks off the top.

### Traded Options

Dealers contined to report substantial demand for Traded Options and 49,648 deals were contracted comprising 36,059 calls and 13,589 puts. Concern about the current labour dispute prompted active trading in British Telecom puts and 3,372 deals were done, while British Gas continued to figure prominently with 10,155 calls and 1,410 puts arranged ahead of tommorrow's results. Old bid favourite Consolidated Goldfields attracted 4,743 calls, while 2,262 were done in the FTSE index.

### Traditional Options

- First dealings Jan 19 Feb 2 Feb 16
- Last dealings Jan 30 Feb 13 Feb 27
- Last declaration Apr 23 May 7 May 28
- For Settlement May 5 May 18 June 8

*For rate indications see end of Unit Trust Service*

Stocks to attract money for the call included Argyll, Guinness, Nolton, Sedgwick, Border TV, Elswick, Ryan International, Banro Industries, Atlantic Resources, Walter Lawrence, Pentland Industries, St Modwen Props, Davidson Pearce, Owners Abroad, Aran Energy, Merland, Amstrad, Leisure Investments, Wellcome, Parrish, Bestwood, Jantar, Benlox, London Securities, British Gas, Hewitt, ASDA-MFI, Parambe, North Kalgurli, Johnson and Firth Brown, Conroy Petroleum, Memcom, Hampton Trust, Anglo United, TSB, Cons Gold Fields, Myson, Fobel, British Benzol, Eglinton, Allied Plant, J. E. England, Howden, Dominion International, Lyle Shipping, Davy Corporation and Morgan Grenfell. Puts were arranged in Wellcome, Silentnight, Pilkington and Britoil, while a double option was transacted in Ryan International.

## FINANCIAL TIMES STOCK INDICES

| | Jan. 19 | Jan. 16 | Jan. 15 | Jan. 14 | Jan. 13 | Year ago | 1986/87 High | 1986/87 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 85.31 | 85.43 | 84.88† | 84.82 | 84.57 | 80.39 | 94.51 (18/4/86) | 80.39 (20/1/86) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 91.66 | 91.52 | 91.35 | 91.26 | 91.25 | 86.88 | 97.68 (7/7/86) | 86.55 (23/1/86) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1,397.0 | 1,403.0 | 1,406.9 | 1,389.0 | 1,393.9 | 1,106.1 | 1,425.9 (3/4/86) | 1,094.3 (14/1/86) | 1,425.9 (3/4/86) | 49.4 (26/6/40) |
| Gold Mines | 335.2 | 333.0 | 338.7 | 335.5 | 326.3 | 339.5 | 357.8 (22/9/86) | 185.7 (18/7/86) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.10 | 4.08 | 4.06 | 4.12 | 4.12 | 4.48 | | | | |
| Earnings Yld.%(full) | 9.61 | 9.62 | 9.59 | 9.72 | 9.72 | 10.97 | | | | |
| P/E Ratio (net) (*) | 12.75 | 12.75 | 12.80 | 12.62 | 12.63 | 11.31 | | | | |
| SEAQ Bargains (5 pm) | 43,425 | 44,842 | 36,510 | 28,431 | 37,045 | — | | | | |
| Equity Turnover (£m) | — | 1,757.58 | 1,334.32 | 1,184.39 | 1,399.09 | 476.7 | | | | |
| Equity Bargains | — | 54,066 | 45,705 | 36,980 | 50,164 | 22,926 | | | | |
| Shares Traded (ml) | — | 625.2 | 537.3 | 489.5 | 565.3 | 212.0 | | | | |

S.E. ACTIVITY

| Indices | Jan. 16 | Jan. 15 |
|---|---|---|
| Gilt Edged Bargains | 123.6 | 99.9 |
| Equity Bargains | 350.3 | 296.1 |
| Equity Value | 3552.5 | 2697.0 |
| 5-Day Average | | |
| Gilt Edged Bargains | 111.3 | 117.0 |
| Equity Bargains | 311.8 | 326.1 |
| Equity Value | 2827.8 | 2958.2 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1402.4 | 1396.1 | 1396.3 | 1403.1 | 1401.4 | 1400.5 | 1394.8 | 1394.4 |

Day's High 1403.5. Day's Low 1394.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, †Corrected *NH=12.28.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (169)

BRITISH FUNDS (2), AMERICANS (1), BANKS (1), BUILDINGS (20), CHEMICALS (5), STORES (3), ELECTRICALS (12), ENGINEERING (6), FOODS (11), HOTELS (1), INDUSTRIALS (28), INSURANCE (1), LEISURE (4), MOTORS (2), NEWSPAPERS (4), PAPER (10), PROPERTY (8), TEXTILES (3), TRUSTS (40), OILS (1), OVERSEAS TRADERS (1), PLANTATIONS (4), MINES (11).

NEW LOWS (8)

AMERICANS (2), Saul (B.F.), National Business Systems, BREWERS (2) Guinness 5¼pc.Cnv.Prf., Invergordon, CHEMICALS (1), Morceau, ELECTRICALS (1) Mitel Corp, ENGINEERING (1) Christy Hunt, INDUSTRIALS (1) Dominion Int.

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

| Stock | Volume 000's | Closing price | Day's change | Stock | Volume 000's | Closing price | Day's change |
|---|---|---|---|---|---|---|---|
| ASDA-MFI | 10,000 | 149 | +1 | Ladbroke | 205 | 395 | −2 |
| Allied Lyons | 828 | 344 | −2 | Land Securities | 556 | 342 | +1 |
| BAT | 2,100 | 495 | −6 | Legal & Gen. | 946 | 265 | — |
| BET | 398 | 478 | −3 | Lloyds Bank | 1,500 | 507 | — |
| BOC | 818 | 397 | −1 | Lonrho | 731 | 254 | — |
| BTR | 3,500 | 289 | −4 | Marks & Spncr | 4,200 | 197 | −1 |
| Barclays | 932 | 544 | −3 | Midland Bank | 735 | 604 | −5 |
| Bass | 303 | 761 | −3 | NatWest Bank | 1,600 | 587 | −7 |
| Beecham | 8,000 | 461 | −8 | Pearson | 347 | 595 | −7 |
| Blue Circle | 349 | 691 | −2 | P & O | 1,100 | 548 | +1 |
| Boots | 3,400 | 248 | −2 | Pilkington Bros | 2,600 | 695 | −15 |
| Brit. Aero | 1,100 | 570 | −10 | Plessey | 6,300 | 199 | −1 |
| Brit. Gas | 35,000 | 70½ | −1 | Prudential | 466 | 842 | −8 |
| Britoil | 2,900 | 195 | −4½ | Racal | 1,200 | 192 | −1 |
| BP | 1,800 | 796 | −6 | Rank Org | 1,000 | 558 | −4 |
| Brit. Telecom | 8,200 | 217½ | −4½ | Reckitt & Col | 133 | 915 | −6 |
| Burton | 3,200 | 283 | −5 | Reuters | 707 | 594 | −10 |
| Cable & Wire | 8,800 | 350 | −16 | RTZ | 1,300 | 769 | +15 |
| Cadbury Schwps. | 15,000 | 203 | +8 | Rowntree Mac | 2,400 | 442 | +9 |
| Coats Viyella | 609 | 316 | −6 | Royal Insurance | 434 | 867 | −8 |
| Comm. Union | 1,700 | 287 | −2 | STC | 3,100 | 191 | −1 |
| Cons. Gold | 1,300 | 729 | +10 | Sainsbury | 695 | 438 | +1 |
| Courtaulds | 567 | 350 | −4 | Sears | 3,400 | 129 | −0½ |
| Dee Corp | 1,300 | 231 | +2 | Sedgwick | 1,400 | 339 | −4 |
| Dixons Grp | 2,700 | 324 | −4 | Shell Trans | 1,500 | £10.8 | — |
| Fisons | 770 | 591 | −8 | Smith & Nephew | 2,300 | 134½ | +0½ |
| Gen. Accident | 565 | 857 | −8 | Standard Chart | 144 | 777 | −3 |
| Gen. Elect. | 4,200 | 196 | −1 | Storehouse | 1,200 | 273 | −3 |
| Glaxo | 6,300 | £11¼ | — | Sun Alliance | 187 | 694 | −4 |
| Grand Met | 5,500 | 454 | — | TSB | 8,700 | 79½ | −2½ |
| Gus "A" | 222 | £11⅛ | +0⅛ | Tesco | 778 | 438 | +6 |
| Guardian R.E. | 447 | 819 | −10 | Thorn EMI | 2,500 | 524 | +5 |
| GKN | 1,500 | 302 | −2 | Trafalgar House | 591 | 296 | −1 |
| Guinness | 8,400 | 267 | −4 | T'house Forte | 2,200 | 190 | −1 |
| Hanson Trust | 4,900 | 203½ | −2½ | Unilever | 364 | £22⅞ | +0¼ |
| Hawker Sidd | 376 | 496 | −1 | United Biscuits | 1,200 | 247 | +1 |
| ICI | 4,000 | £11⅛ | −0⅛ | Wellcome | 6,900 | 267 | +1 |
| Jaguar | 1,100 | 573 | −5 | Woolworth | 2,000 | 707 | +19 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 27 | 72 | 14 |
| Corporations, Dominion and Foreign Bonds | 0 | 0 | 70 |
| Industrials | 388 | 574 | 571 |
| Financial and Properties | 126 | 218 | 240 |
| Oils | 17 | 47 | 49 |
| Plantations | 6 | 1 | 7 |
| Mines | 68 | 38 | 77 |
| Others | 14 | 128 | 50 |
| Totals | 646 | 1,078 | 1,078 |

## FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Jan 19 1987 Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1987 to date | Fri Jan 16 Index No. | Thurs Jan 15 Index No. | Wed Jan 14 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (209) | 749.97 | −0.7 | 8.40 | 3.52 | 15.07 | 0.13 | 755.05 | 752.68 | 743.75 | 573.11 |
| 2 | Building Materials (27) | 913.74 | −0.8 | 8.57 | 3.57 | 14.66 | 0.40 | 921.02 | 919.30 | 910.25 | 625.17 |
| 3 | Contracting, Construction (28) | 1272.60 | −0.5 | 7.42 | 3.68 | 18.52 | 0.34 | 1279.06 | 1278.25 | 1268.19 | 927.97 |
| 4 | Electricals (12) | 1917.88 | +0.1 | 7.86 | 4.39 | 16.34 | 0.00 | 1915.05 | 1901.58 | 1885.48 | 1578.28 |
| 5 | Electronics (38) | 1656.49 | −0.4 | 8.65 | 2.49 | 15.35 | 0.00 | 1663.65 | 1660.86 | 1632.19 | 1426.68 |
| 6 | Mechanical Engineering (61) | 427.92 | −0.6 | 9.29 | 3.87 | 13.70 | 0.13 | 430.46 | 430.62 | 425.24 | 320.57 |
| 8 | Metals and Metal Forming (7) | 398.70 | −1.1 | 9.17 | 3.73 | 13.25 | 0.00 | 403.04 | 399.24 | 391.24 | 254.21 |
| 9 | Motors (15) | 292.42 | −0.8 | 9.41 | 3.59 | 12.26 | 0.00 | 294.80 | 294.19 | 289.31 | 211.82 |
| 10 | Other Industrial Materials (21) | 1283.70 | −1.1 | 7.06 | 4.29 | 16.92 | 0.09 | 1297.55 | 1284.53 | 1277.99 | 1004.80 |
| 21 | CONSUMER GROUP (186) | 1003.71 | −0.1 | 7.31 | 3.15 | 17.57 | 0.39 | 1004.43 | 1005.91 | 996.42 | 744.41 |
| 22 | Brewers and Distillers (22) | 947.51 | −0.5 | 8.94 | 3.66 | 14.04 | 0.00 | 952.20 | 963.47 | 958.14 | 771.89 |
| 25 | Food Manufacturing (25) | 773.72 | +0.6 | 8.60 | 3.63 | 15.23 | 1.02 | 768.99 | 762.82 | 759.37 | 558.04 |
| 26 | Food Retailing (16) | 1975.16 | +0.8 | 6.81 | 2.73 | 20.40 | 1.94 | 1958.63 | 1958.95 | 1955.92 | 1654.07 |
| 27 | Health and Household Products (10) | 1770.13 | −0.4 | 5.37 | 2.14 | 21.60 | 0.00 | 1777.39 | 1803.94 | 1775.14 | 1178.67 |
| 29 | Leisure (31) | 1048.62 | −0.2 | 7.38 | 3.96 | 17.59 | 0.25 | 1050.60 | 1043.68 | 1022.21 | 747.67 |
| 31 | Packaging & Paper (14) | 537.04 | −0.6 | 6.38 | 3.11 | 20.31 | 0.18 | 540.01 | 536.56 | 525.01 | 370.40 |
| 32 | Publishing & Printing (14) | 3009.82 | +0.3 | 6.57 | 3.79 | 19.64 | 3.41 | 2999.76 | 3000.71 | 2941.30 | 1872.06 |
| 34 | Stores (37) | 876.82 | −0.3 | 7.29 | 3.08 | 18.64 | 0.01 | 879.38 | 874.71 | 869.02 | 712.99 |
| 35 | Textiles (17) | 600.57 | −0.7 | 8.79 | 3.42 | 13.10 | 0.00 | 605.01 | 604.97 | 602.20 | 381.53 |
| 40 | OTHER GROUPS (87) | 866.83 | −1.2 | 8.83 | 3.80 | 14.09 | 0.06 | 877.49 | 881.50 | 869.82 | 700.54 |
| 41 | Agencies (16) | 1189.27 | −0.8 | 4.92 | 1.85 | 27.72 | 0.00 | 1198.75 | 1197.46 | 1174.81 | 0.0 |
| 42 | Chemicals (21) | 1104.91 | −0.4 | 8.03 | 3.82 | 15.17 | 0.22 | 1108.99 | 1111.75 | 1096.58 | 736.05 |
| 43 | Conglomerates (13) | 1178.66 | −1.0 | 7.33 | 3.70 | 16.20 | 0.15 | 1190.36 | 1193.47 | 1184.61 | 0.0 |
| 45 | Shipping and Transport (11) | 1653.80 | +0.3 | 7.34 | 4.54 | 16.94 | 0.00 | 1649.26 | 1658.20 | 1653.44 | 1340.69 |
| 47 | Telephone Networks (2) | 869.79 | −2.5 | 10.75 | 4.43 | 12.68 | 0.00 | 892.45 | 895.11 | 877.75 | 855.16 |
| 48 | Miscellaneous (24) | 1186.99 | −1.0 | 10.09 | 3.49 | 11.18 | 0.00 | 1198.63 | 1213.74 | 1201.93 | 878.36 |
| 49 | INDUSTRIAL GROUP (482) | 912.80 | −0.5 | 8.00 | 3.42 | 15.83 | 0.22 | 917.74 | 918.80 | 908.60 | 696.23 |
| 51 | Oil & Gas (18) | 1619.22 | −0.6 | 10.52 | 5.60 | 12.02 | 0.00 | 1629.26 | 1631.20 | 1609.01 | 1105.26 |
| 59 | 500 SHARE INDEX (500) | 972.71 | −0.5 | 8.37 | 3.74 | 15.13 | 0.20 | 978.09 | 979.22 | 967.99 | 731.41 |
| 61 | FINANCIAL GROUP (117) | 652.51 | −0.6 | — | 4.36 | — | 0.10 | 656.46 | 648.96 | 658.39 | 517.10 |
| 62 | Banks (8) | 732.86 | −0.8 | 17.21 | 5.01 | 7.97 | 0.00 | 738.91 | 721.88 | 700.96 | 537.54 |
| 65 | Insurance (Life) (9) | 911.18 | −0.6 | — | 4.26 | — | 0.00 | 916.58 | 915.10 | 902.25 | 779.19 |
| 66 | Insurance (Composite) (7) | 480.78 | −0.9 | — | 4.51 | — | 0.00 | 484.93 | 480.50 | 477.88 | 415.06 |
| 67 | Insurance (Brokers) (9) | 1222.37 | −0.8 | 7.81 | 4.33 | 16.64 | 0.97 | 1231.71 | 1202.40 | 1169.86 | 1203.06 |
| 68 | Merchant Banks (11) | 385.69 | −1.2 | — | 3.78 | — | 0.00 | 390.44 | 386.73 | 380.68 | 283.63 |
| 69 | Property (47) | 829.96 | +0.1 | 5.76 | 3.53 | 22.61 | 0.00 | 829.18 | 829.07 | 822.19 | 641.29 |
| 70 | Other Financial (25) | 398.93 | −0.1 | 7.58 | 3.82 | 16.63 | 0.48 | 399.25 | 398.75 | 398.76 | 290.75 |
| 71 | Investment Trusts* (96) | 908.18 | −0.6 | — | 2.53 | — | 0.25 | 913.89 | 909.14 | 900.05 | 638.62 |
| 81 | Mining Finance (2) | 373.68 | +1.8 | 8.36 | 4.29 | 14.07 | 0.00 | 367.21 | 369.03 | 365.67 | 260.31 |
| 91 | Overseas Traders (12) | 816.58 | +0.4 | 9.80 | 5.56 | 12.36 | 0.00 | 813.67 | 814.25 | 808.43 | 608.48 |
| 99 | ALL-SHARE INDEX* (727) | 886.68 | −0.5 | — | 3.81 | — | 0.18 | 891.38 | 890.42 | 879.65 | 669.63 |

| | Index No. | Day's Change | Day's High | Day's Low | Jan 16 | Jan 15 | Jan 14 | Jan 13 | Jan 12 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♠ | 1778.4 | −10.6 | 1790.4 | 1775.5 | 1789.0 | 1789.0 | 1765.2 | 1763.3 | 1755.6 | 1378.3 |

### FIXED INTEREST

| | PRICE INDICES | Mon Jan 19 | Day's change % | Fri Jan 16 | xd adj. today | xd adj. 1987 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 120.12 | +0.04 | 120.11 | 0.04 | 0.85 |
| 2 | 5-15 years | 134.61 | −0.08 | 134.90 | 0.18 | 0.93 |
| 3 | Over 15 years | 142.42 | −0.42 | 143.01 | — | 0.00 |
| 4 | Irredeemables | 154.10 | −0.47 | 154.82 | — | 0.00 |
| 5 | All stocks | 132.16 | −0.11 | 132.40 | 0.10 | 0.75 |
| | Index-Linked | | | | | |
| 6 | 5 years | 116.61 | −0.08 | 116.70 | — | 0.00 |
| 7 | Over 5 years | 113.82 | −0.23 | 114.29 | 0.20 | 0.36 |
| 8 | All stocks | 114.24 | −0.21 | 114.65 | 0.17 | 0.30 |
| 9 | Debentures & Loans | 116.32 | +0.39 | 115.86 | — | 0.14 |
| 10 | Preference | 81.06 | +0.70 | 80.49 | — | 0.00 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Jan 19 | Fri Jan 16 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low Coupons | 5 years | 9.44 | 9.45 | 10.26 |
| 2 | | 15 years | 9.82 | 9.78 | 10.65 |
| 3 | | 25 years | 9.82 | 9.78 | 10.65 |
| 4 | Medium Coupons | 5 years | 10.44 | 10.45 | 11.89 |
| 5 | | 15 years | 10.18 | 10.06 | 11.15 |
| 6 | | 25 years | 9.92 | 9.85 | 10.74 |
| 7 | High Coupons | 5 years | 10.55 | 10.55 | 12.07 |
| 8 | | 15 years | 10.26 | 10.22 | 11.32 |
| 9 | | 25 years | 9.96 | 9.91 | 10.81 |
| 10 | Irredeemables† | | 9.77 | 9.72 | 10.29 |
| | Index-Linked | | | | |
| 11 | Inflat'n rate 5% | 5 yrs | 3.64 | 3.58 | 5.13 |
| 12 | Inflat'n rate 5% | Over 5 yrs | 3.74 | 3.72 | 4.01 |
| 13 | Inflat'n rate 10% | 5 yrs | 1.98 | 1.92 | 4.06 |
| 14 | Inflat'n rate 10% | Over 5 yrs | 3.57 | 3.55 | 3.84 |
| 15 | Debs & Loans | 5 years | 11.00 | 11.06 | 12.55 |
| 16 | | 15 years | 11.00 | 11.05 | 11.72 |
| 17 | | 25 years | 11.00 | 11.05 | 11.63 |
| 18 | Preference† | | 11.56 | 11.65 | 12.08 |

♠Opening index 1787.4; 10 am 1780.7; 11 am 1779.9; Noon 1787.8; 1 pm 1785.0; 2 pm 1784.8; 3 pm 1776.8; 3.30 pm 1776.0; 4 pm 1775.9.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## LONDON TRADED OPTIONS

| Option | | Calls Jan. | Calls Apr. | Calls July | Puts Jan. | Puts Apr. | Puts July |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*344) | 280 | 65 | 75 | 82 | 0½ | 2 | 3 |
| | 300 | 45 | 57 | 67 | 1 | 2½ | 9 |
| | 330 | 15 | 33 | 44 | 1½ | 10 | 15 |
| | 360 | 1 | 11 | 25 | 20 | 27 | 35 |
| B.P. (*795) | 650 | 145 | 155 | 172 | 1 | 2 | 4 |
| [illegible] | | | | | | | |

| Option | | Calls Feb. | Calls May | Calls Aug. | Puts Feb. | Puts May | Puts Aug. |
|---|---|---|---|---|---|---|---|
| Ladbroke (*395) | 330 | 70 | 78 | 88 | 0½ | 2 | 3 |
| | 360 | 42 | 50 | 65 | 1½ | 5 | 8 |
| | 390 | 17 | 32 | 42 | 9 | 15 | 20 |
| | 420 | 7 | 15 | 24 | 27 | 35 | 38 |
| LASMO | 130 | 42 | 46 | — | 1 | 1 | — |
| [illegible] | | | | | | | |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986/87 High | 1986/87 Low | Stock | Closing Price p | + or − | Net Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | F.P. | 30/1 | 67½ | 65 | ‡Avesco (Reg) 1p | 67½ | +½ | L0.5 | 6.6 | 1.0 | 17.3 |
| [illegible] | F.P. | — | 32 | 24 | Benson (SGB) | 32 | +4 | bd0.5 | 3.2 | 2.2 | 20.0 |
| [illegible] | F.P. | — | 95 | 37 | ‡Border TV | 95 | +1½ | 2.5 | 3.2 | 6.4 | 6.8 |
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

[illegible]

[illegible]

# WORLD STOCK MARKETS

## AUSTRIA

| Jan. 19 | Price Sch. | + or − |
|---|---|---|
| Credit'nst'lt pp | 2,100 | −30 |
| Goesser | 3,125 | +15 |
| Interunfall | 13,150 | 50 |
| Jungbunzlauer | 10,900 | 200 |
| Laenderbank | 2,100 | ...... |
| Perlmooser | 640 | −16 |
| Steyr Daimler | 153 | 2 |
| Veitscher Mag | 11,035 | +5 |

## BELGIUM/LUXEMBOURG

| Jan. 19 | Price Frs. | + or − |
|---|---|---|
| B.B.L. | 3,080 | −30 |
| Banq. Gen. Lux. | 16,000 | ...... |
| Banq. Int. A.Lux. | 16,150 | ...... |
| Bekaert | 10,000 | −60 |
| Ciment CBR | 4,010 | +40 |
| Cockerill | 140 | +40 |
| Delhaize | 2,750 | −80 |
| EBES | 4,910 | ...... |
| Electrobel | 14,925 | ...... |
| Fabrique Nat. | 1,800 | −35 |
| GB Inno BM | 9,530 | +10 |
| GBL (Brux) | 3,640 | +30 |
| Generale Bank | 6,350 | ...... |
| Gevaert | 6,010 | −30 |
| Hoboken | 7,900 | −40 |
| Intercom | 5,930 | +30 |
| Kredietbank | 4,090 | +20 |
| Pan Hldgs. | 10,600 | 100 |
| Petrofina | 9,400 | −90 |
| Royale Belge | 29,385 | +2 |
| Soc. Gen. Belge. | 3,398 | 25 |
| Sofina | 12,000 | ...... |
| Solvay | 8,690 | +80 |
| Stanwick Intl. | 230 | ...... |
| Tractionel | 6,380 | −40 |
| UCB | 9,950 | ...... |
| Wagons Lits | 5,480 | −50 |

## DENMARK

| Jan. 19 | Price Kr. | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## FINLAND

| Jan. 19 | Price Mks. | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## NETHERLANDS

| Jan. 19 | Price Fls. | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## GERMANY

| Jan. 19 | Price Dm. | + or − |
|---|---|---|
| AEG | 310.5 | −9.5 |
| Allianz Vers | 1,992 | 38 |
| BASF | 251.6 | −5.4 |
| Bayer | 284 | −8.5 |
| Bayer-Hypo | 522 | −10 |
| Bayer-Verein | 470 | −8 |
| BHF-Bank | 510 | −5 |
| BMW | 506 | −17 |
| Brown Boveri | 285.5 | −2.5 |
| Commerzbank | 297.5 | −6.5 |
| Cont'l Gummi | 319 | −6 |
| Daimler-Benz | 1,095 | −33 |
| Degussa | 459 | −1 |
| D'sche Babcock | 215 | −4.5 |
| Deutsche Bank | 780.5 | −11 |
| Dresdner Bank | 388.5 | −7.5 |
| Feld-Muehle Nbl | 280 | −4 |
| Henkel | 471 | −7 |
| Hochtief | 960 | +13 |
| Hoechst | 254.6 | −3.4 |
| Hoesch Werke | 106 | −3 |
| Holzmann (P) | 625 | −13 |
| Horten | 231.5 | −0.3 |
| Hussel | 606 | −5 |
| Karstadt | 459 | −3.1 |
| Kaufhof | 615 | −4.6 |
| KHD | 156 | −5 |
| Kloeckner | 59.1 | −0.9 |
| Linde | 668.5 | 1.5 |
| Lufthansa | 172 | −5 |
| MAN | 162.5 | −5 |
| Mannesmann | 160.1 | −3.7 |
| Mercedes Hld | 906 | 37 |
| Metallgesell | 294.9 | −2.1 |
| Muench Rueck | 2,340 | 15 |
| Nixdorf | 755 | −7.5 |
| Porsche | 983 | −6.5 |
| Preussag | 183 | −3.5 |
| Rhein West Elect | 222 | −2.5 |
| Rosenthal | 315 | −20 |
| Schering | 641 | −10 |
| Siemens | 697 | −15 |
| Thyssen | 115 | −2.5 |
| Varta | 377 | −9 |
| Veba | 267 | −12 |
| V.E.W. | 155.8 | ...... |
| Verein-West | 475 | ...... |
| Volkswagen | 385 | −8 |

## ITALY

| Jan. 19 | Price Lira | + or − |
|---|---|---|
| Banco Com'le | 25,600 | +100 |
| Bastogi-IRBS | 724 | +19 |
| Centrale | 3,370 | ...... |
| C.I.R. | 6,900 | −125 |
| Credito Italiano | 3,435 | −62 |
| Fiat | 14,590 | +80 |
| General Assicur. | 137,000 | +1500 |
| Italcementi | 72,800 | −300 |
| La Rinascente | 1,000 | −3 |
| Montedison | 2,855 | +5 |
| Olivetti | 13,150 | +25 |
| Pirelli Co. | 7,305 | +5 |
| Pirelli Spa | 5,120 | +20 |
| Saipem | 4,625 | +3 |
| Snia BPD | 4,865 | +30 |
| Toro Assic. | 32 850 | ...... |

## FRANCE

| Jan. 19 | Price Frs. | + or − |
|---|---|---|
| Emprunt 4½% 1973 | 1,593 | −42 |
| Emprunt 7% 1973 | 8,120 | +20 |
| Accor | 502 | −6 |
| Air Liquide | 710 | ...... |
| BIC | 768 | −6 |
| Bongrain | 2,545 | −4 |
| Bouygues | 1,215 | −22 |
| BSN Gervais | 4,610 | −25 |
| [illegible] | [illegible] | [illegible] |

## NORWAY

| Jan. 16 | Price Kroner | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## SPAIN

| Jan. 19 | Price Pts % | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## SWEDEN

| Jan. 19 | Price Kronor | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## SWITZERLAND

| Jan. 19 | Price Frs. | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## AUSTRALIA

| Jan. 19 | Price Aust. $ | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## AUSTRALIA (continued)

| Jan. 19 | Price Aust. $ | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## HONG KONG

| Jan. 19 | Price H.K.$ | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## JAPAN

| Jan. 19 | Price Yen | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## JAPAN (continued)

| Jan. 19 | Price Yen | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## SINGAPORE

| Jan. 19 | Price S$ | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## SOUTH AFRICA

| Jan. 19 | Price Rand | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

### TORONTO
*Prices at 2.30pm January 19*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

F No voting rights or restricted voting rights.

## Indices

### NEW YORK

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### STANDARD AND POORS

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### N.Y.S.E. ALL COMMON

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### TORONTO

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Jan. 19 | Jan. 16 | Jan. 15 | Jan. 14 | 1986/87 High | 1986/87 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| AUSTRIA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BELGIUM | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DENMARK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FINLAND | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FRANCE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GERMANY | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| HONG KONG | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ITALY | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| JAPAN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NETHERLANDS | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NORWAY | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SINGAPORE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SOUTH AFRICA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SPAIN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SWEDEN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SWITZERLAND | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| WORLD | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

** Saturday January 10: Japan Nikkei (c). TSE (c). [illegible]

### NYSE-Consolidated 1500 Actives

| | Stocks Traded | 2.30p.m. Price | Change on Day |
|---|---|---|---|
| [illegible] | 2,182,200 | 5⅝ | − ⅛ |
| [illegible] | 1,904,200 | 23⅝ | + ⅛ |
| [illegible] | 1,831,500 | 121¼ | +1⅜ |
| ATT | 1,718,100 | 25⅝ | + ⅜ |
| [illegible] | 1,572,400 | 53⅝ | +3⅝ |
| [illegible] | 1,527,200 | 143 | +6 |
| [illegible] | 1,325,000 | 25⅝ | − ⅛ |
| [illegible] | 1,290,000 | 13⅞ | + ⅛ |
| [illegible] | 1,230,000 | 25⅝ | − ⅛ |
| [illegible] | 1,233,200 | 31⅝ | +1⅝ |

Advances 872 Declines 573

### TOKYO – Most Active Stocks
*Thursday, Jan. 15, 1987*

| | Stocks Traded | Closing Prices | Change on Day |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## LONDON Chief price changes (in pence unless otherwise indicated)

| RISES | | |
|---|---|---|
| AMS Inds. | 60 | + 7 |
| Appleyard | 183 | + 8 |
| Argyll Gr. | 358 | +13 |
| Baker Perk. | 350 | +10 |
| Bertam | 84 | +13 |
| Bristol Ev. Post | 200 | +10 |
| Cadb. Schw's | 203 | + 8 |
| C. Hooper | 158 | + 7 |
| Comn. Est. Agents | 315 | +10 |
| Dale Electric | 66 | + 4 |
| Flextech | 52 | + 8 |
| "Inv in Success" | 945 | +30 |
| Lookers | 233 | + 8 |
| Nat. Home Loans | 128 | + 8 |
| Norb Elects. | 66 | + 6 |
| Oxford Inst. | 448 | +13 |
| Ratcliffs (G.B.) | 111 | +11 |
| Readicut Intl. | 52½ | + 4 |
| R. Time Contr | 73 | + 5 |
| Smallbone | 212 | + 9 |
| Woolworth | 707 | +10 |

| FALLS | | |
|---|---|---|
| Berisf. (S.&W.) | 250 | − 9 |
| B Telecom. | 217½ | − 4½ |
| Cable & Wirel. | 350 | −16 |
| Elect. Rentals | 52 | − 8 |
| Enterpr. Oil | 190 | − 5½ |
| K. Benson | 605 | −15 |
| M. Grenfell | 415 | −10 |
| Plkgtn Bros. | 695 | −15 |
| Simon Eng. | 293 | − 8 |



# OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 37

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 37

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 27⅝ | 17 | AAR s | .50 | 1.8 | 20 | 1335 | u28 | 27 | 28 | +1 |
| 30½ | 21¾ | ADT | .92 | 3.2 | | 132 | 29⅝ | 28¾ | 28⅞ | −½ |
| 36⅝ | 17½ | AFG s | .12i | .3 | 10 | 1225 | 35 | 34 | 35 | −¼ |
| 34⅞ | 16¾ | AGS | | | 21 | 706 | 32⅞ | 31 | 32⅞ | +1⅝ |
| 15 | 6¼ | AMCA | | | | 19 | 7⅝ | 7¼ | 7⅝ | +⅛ |
| 62⅞ | 43 | AMR | | | 14 | 8484 | 60½ | 57¼ | 60⅜ | +2 |
| 27½ | 24 | ANR pf | 2.67 | 10. | | 2 | 26¼ | 26¼ | 26¼ | −¾ |
| 16½ | 10 | ARX | .71t | 6.1 | 11 | 81 | 11¾ | 11⅝ | 11⅝ | |
| 41½ | 26¾ | ASA | 2a | 4.7 | | 1609 | u42⅞ | 41 | 42⅛ | +2½ |
| 16⅝ | 9¾ | AVX | | | 22 | 1070 | 14⅞ | 14⅝ | 14⅞ | +¼ |
| 32 | 26 | AZP | 2.72 | 8.7 | 9 | 2758 | 31⅛ | 30⅞ | 31⅛ | +⅛ |
| 55 | 31⅝ | AbtLb s | .84 | 1.6 | 23 | 4317 | 52⅜ | 50⅝ | 52⅛ | +⅝ |
| 32 | 25 | AccoWd | .56 | 1.9 | 19 | 124 | 29⅝ | 29 | 29⅝ | +½ |
| 14⅝ | 9 | AcmeC | .40 | 3.5 | | 261 | 11½ | 11⅛ | 11½ | +⅜ |
| 9¼ | 6⅛ | AcmeE | .32b | 4.3 | 19 | 79 | 7⅜ | 7⅛ | 7⅜ | +⅛ |
| 23⅞ | 17½ | AdaEx | 3.42e | 16. | | 177 | 21⅝ | 20⅞ | 21⅝ | +⅞ |
| 16⅝ | 9¾ | AdmMs s | | | | 15 | 16 | 15¾ | 16 | +⅛ |
| 20⅝ | 12⅞ | AdvSys | .62 | 3.3 | 16 | 268 | 19½ | 18⅞ | 18⅞ | |
| 32⅞ | 12⅞ | AMD | | | | 8757 | 18½ | 17½ | 18½ | +1⅛ |
| 12⅝ | 5¼ | Adobe | | | | 36 | 8¼ | 8⅛ | 8¼ | +⅛ |
| 17⅝ | 13¾ | Adob pf | 1.84 | 11. | | 87 | 17¼ | 17⅛ | 17¼ | |
| 20⅝ | 16⅝ | Adob pf | 2.40 | 12. | | 52 | 20 | 19½ | 20 | +¾ |
| 18⅜ | 11½ | Advest | .12a | .9 | 13 | 302 | 13⅞ | 13⅜ | 13⅞ | |
| 66¼ | 52¾ | AetnLf | 2.64 | 4.3 | 9 | 2716 | 61 | 59¾ | 60¾ | +⅛ |
| 54⅝ | 51⅛ | AetL pf | 3.94e | 7.6 | | 62 | 52½ | 52⅛ | 52⅜ | +⅛ |
| 84 | 35¼ | AflPb s | .44 | .5 | 39 | 81 | 81½ | 79¾ | 81¼ | −½ |
| 42¼ | 17⅝ | AflPb wi | | | | 29 | 41⅝ | 40½ | 40⅝ | −1½ |
| 28¾ | 16½ | Ahmns | .48 | 2.3 | 7 | 14863 | 21⅛ | 20⅞ | 21 | |
| 5¾ | 2⅞ | Aileen | | | | 109 | 4½ | 4⅛ | 4¼ | −⅛ |
| 41⅝ | 29⅜ | AirPrd s | .80 | 2.0 | [illegible] | 3993 | 40¼ | 39⅞ | 40¼ | +1 |
| 32½ | 16 | AirbFrt | .60 | 1.9 | 22 | 136 | 31⅞ | 31¼ | 31¼ | −⅛ |
| 8⅞ | 6⅛ | Airgas n | | | | 7 | 8¼ | 8¼ | 8¼ | +¼ |



Continued on Page 37

# NYSE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls. 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Continued from Page 36** | | | | | | | | |
| 19⅞ | 10⅞ | Nortek s | .10 | .7 | 8 | 308 | 15 | 14½ | 15 | +¼ |
| 48 | 35⅞ | NAPhil | 1 | 2.3 | 27 | 289 | 44 | 43¾ | 44 | +¼ |
| 23⅞ | 15⅛ | NEurO | 2.42e | 11. | 9 | 224 | 22¾ | 22¼ | 22¾ | −⅛ |
| 28¼ | 17¾ | NoestUt | .88 | 6.3 | 9 | 1385 | 26¾ | 26⅜ | 26½ | −¼ |
| 13½ | 10⅛ | NIndPS | | | | 3886 | 12 | 11⅝ | 11⅞ | +⅛ |
| 44½ | 33½ | NIPS | pf3.10e | 7.5 | | 725 | 41⅝ | 41⅝ | 41⅝ | +⅜ |
| 40⅛ | 25⅜ | NoStP | s1.90 | 5.2 | 12 | 705 | 36½ | 36⅛ | 36½ | −⅛ |
| 48 | 35 | NSPw | pf3.60 | 7.7 | | z350 | 46½ | 46½ | 46½ | +⅞ |
| 38⅝ | 25¼ | NorTel | .40 | 1.1 | | 1747 | 36¼ | 35¾ | 36⅜ | +⅜ |
| 5⅛ | 3 | Nthgat g | | | 362 | u | 5¼ | 5⅛ | 5¼ | +¼ |
| 51⅞ | 36⅞ | Nortrp | 1.20 | 2.9 | 34 | 1156 | 41¾ | 41 | 41⅞ | −⅛ |
| 51 | 40 | NwCP | pf3.42e | 8.3 | | 2 | 41 | 41 | 41 | +1 |
| 28⅝ | 24 | NwtP | pf2.30 | 8.3 | | 3 | 28¼ | 28¼ | 28¼ | +⅛ |
| 21 | 13¼ | NwStW | | | 36 | 270 | 18½ | 18¼ | 18⅜ | |
| 43 | 35 | Norton | 2 | 4.7 | | 258 | 42¼ | 41¾ | 42⅛ | +¼ |
| 42⅝ | 28 | Norwst | 1.80 | 4.4 | 12 | 164 | 41⅜ | 40¼ | 41¼ | −⅜ |
| 53½ | 50¼ | Nwst | pf4.69e | 7.7 | | 100 | 52⅞ | 52⅞ | 52⅞ | +¾ |
| 37⅛ | 27⅞ | Novo | .34e | .9 | 17 | 372 | 37 | 36¾ | 37 | +⅛ |
| 46⅛ | 28⅛ | Nucor s | .32 | .9 | 12 | 708 | 34½ | 34 | 34¼ | −⅛ |
| 73¼ | 47⅜ | Nynex | s3.48 | 5.0 | 12 | 3089 | 70 | 68⅞ | 70 | +⅜ |
| | | **O O O** | | | | | | | | |
| 2½ | ⅜ | Oakind | | | | 1970 | 1⅛ | 1 | 1⅛ | |
| 32⅝ | 26⅞ | OakiteP | 1.52 | 4.7 | 17 | 17 | 32⅝ | 31⅝ | 32⅛ | +½ |
| 19 | 11 | Oakwds | | | 16 | 55 | 15⅞ | 15⅝ | 15⅝ | −⅛ |
| 32⅝ | 22⅝ | OccIPe | 2.50 | 7.9 | 32 | 7127 | 31⅞ | 31⅜ | 31½ | −¼ |
| 65⅝ | 52⅝ | OccIP | pf6.25 | 11. | | 178 | 57 | 56½ | 56¾ | −¼ |
| 125 | 115 | Occl | pf 14 | 12. | | z190 | 121½ | 121½ | 121½ | −1 |
| 20¼ | 10⅝ | ODECO | | | | 1078 | 15 | 14⅞ | 15 | +¼ |
| 50⅝ | 27½ | Ogden | 2 | 4.2 | | 1261 | 48⅞ | 47¾ | 48 | −¾ |
| 22½ | 16½ | OhioEd | 1.92 | 9.0 | 9 | 1990 | 21½ | 21⅛ | 21⅜ | +¼ |
| 44 | 32¼ | OhEd | pf3.90 | 9.3 | | z300 | 42 | 42 | 42 | |
| 47 | 36¼ | OhEd | pf4.40 | 9.6 | | z230 | 45 | 45 | 45 | |
| 48⅛ | 36½ | OhEd | pf4.44 | 9.4 | | z199048 | | 47¼ | 47¼ | +1¼ |

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls. 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28½ | 9½ | WayGos | .20 | .8 | 21 | 71 | 26¼ | 25⅞ | 26¼ | +⅛ |
| 4⅜ | 1⅞ | WeanU | | | | 15 | 2¼ | 2¼ | 2⅛ | +⅛ |
| 28¼ | 19⅝ | WebbD | .20 | .9 | 10 | 200 | 23¾ | 23¼ | 23¼ | |
| 1⅝ | ¼ | vjWedtc | | | | 343 | ½ | 15-32 | ½ | +1-16 |
| 25 | 18½ | WeingRl | .56 | 6.5 | 19 | 174 | 23⅞ | 23⅛ | 23⅞ | +⅛ |
| 41¾ | 33⅛ | WeisMk | .54 | 1.5 | 18 | 36 | 37⅛ | 36⅞ | 37⅛ | |
| 115 | 81 | WellsF | 3.12 | 2.9 | 12 | 477 | 109¼ | 108 | 109⅛ | −⅜ |
| 57½ | 30½ | WllsF | wi | | | 13 | 54⅛ | 54¼ | 54¼ | −⅜ |
| 52⅛ | 46 | WelF | pf 3e | 5.9 | | 101 | 51⅞ | 51⅛ | 51⅛ | +⅛ |
| 30 | 24¼ | WelFM | 2.80 | 9.5 | 12 | 137 | 29¾ | 29⅜ | 29⅜ | −⅜ |
| 17¾ | 9⅞ | Wendys | .24 | 2.4 | 76 | 4359 | 10⅛ | d | 9¼ | 9⅞ |
| 34¼ | 24½ | WestCo | .52 | 1.7 | 16 | 23 | 31⅜ | 31⅛ | 31⅜ | +¼ |
| 58½ | 44½ | WPenPp | f4.50 | 7.6 | | 220 | 58 | 58 | 58 | +¼ |
| 60⅝ | 42⅝ | WstPtP | 2.20e | 3.7 | 13 | 312 | 59¾ | 59⅜ | 59½ | −½ |
| 11⅞ | 8⅞ | WstcT | g.60 | | | 120 | 11¼ | 11 | 11¼ | +¼ |
| 2 | ¼ | WCNA | | | | 904 | 1⅛ | 1 | 1⅛ | |
| 18⅝ | 3⅜ | WCNA pf | | | | 75 | 7⅛ | 7 | 7 | +⅛ |
| 29 | 13 | WeinBL | .24 | 1.3 | 6 | 118 | 19⅜ | 18⅞ | 19 | −? |

Continued on Page 35

• Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

[illegible]

# OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

[illegible]

Continued on Page 35

# FINANCIAL TIMES
## WORLD STOCK MARKETS

### WALL STREET

# Holiday fails to halt rise to new peak

NOT EVEN a public holiday could repress the spectacular New Year rally on Wall Street which surged on through a twelfth session yesterday even though the day had begun poorly, *writes Roderick Oram in New York.*

Trading volume was heavy considering that large sectors of US business and government were closed for Martin Luther King Day. The bond markets were closed but bond futures were traded on commodity exchanges.

The Dow Jones Industrial average closed up 25.87 at 2,102.50.

The day started badly when bond futures fell because of a further drop in the dollar and profit taking on stocks continued from Friday.

Investors took the near 20 point drop in the Dow as a chance to buy and helped by a recovery of bond futures, stocks made the lost ground by early afternoon and pushed on to another record high. The Dow industrial also equalled its 1970 record of 12 consecutive advances since it became a 30-stock index in 1928.

The gains were broad based with the New York Stock Exchange composite index rising 1.50 points at 153.71 on volume of 163.5m shares with advancing issues outpacing those declining by a two-to-one margin although at the lowest part of the day the ratio was reversed.

Among blue chips, American Express gained $1½ to $66⅝, Eastman Kodak rose $⅜ to $75, General Electric added $⅞ to $94⅞, McDonald's edged up $¼ to $66, Merck was up $¼ to $136¼ and Sears, Roebuck was ahead $⅜ to $44⅝.

Among computer groups reporting earnings yesterday, NCR rose $3¼ to $57⅛ on fourth quarter profits of $1.39 a share against $1.34. Tandem jumped $7½ to $50 in the over-the-counter market as earnings more than doubled to 58 cents a share in its first quarter and Tandy added $¼ to $47 on a small rise in income to $1.16 a share in the second quarter from 98 cents.

Microsoft, a leading computer software company, advanced $2¼ to $64 in the over-the-counter market after turning in second quarter net profits of 71 cents a share against 46 cents a year earlier.

Digital Equipment's stock price continued its rapid rise since reporting a doubling a profits last week, gaining another $5 to $143. IBM bounced back by $5¼ to $125¼ even though analysts are expecting it to report today a further deterioration in its performance.

Unisys, the computer group formed last year by Burrough's takeover of Sperry, added $3⅜ to $94⅞. It announced that write-offs associated with the rationalisation of the two groups would wipe out 1986 profits. Analysts are optimistic, however, about the prospects for the new organisation.

Westinghouse Electric gained $2⅝ to $67⅞. It turned in 11 per cent higher profits for 1986 on essentially flat sales.

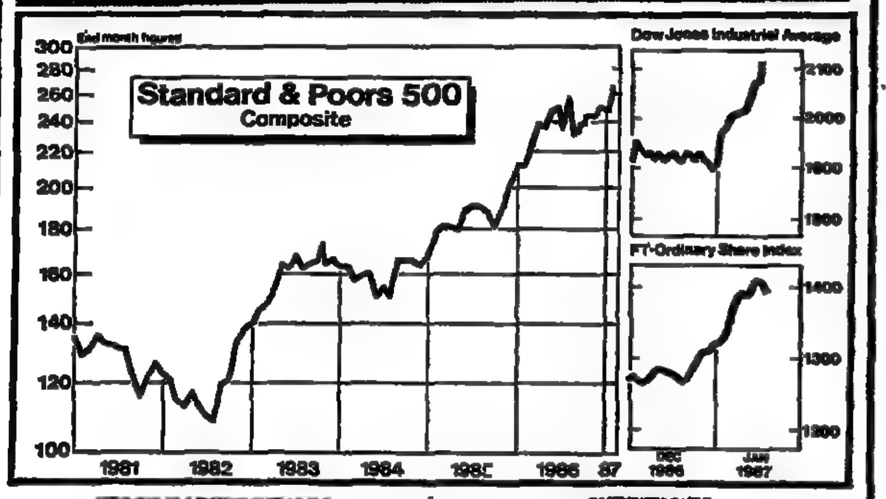
Goodyear Tire and Rubber and USX, two companies which have recently fought off raiders, rose yesterday. Goodyear advanced $1 to $44 after saying it expects to receive $3bn from asset disposals. USX rose $¼ to $24½ on news that a tentative settlement had been reached to a protracted steel strike.

Corning Glass Works dropped $1⅛ to $57⅞. Fourth quarter net slipped to 60 cents a share from 66 cents.

Burlington Northern rose $⅝ to $62⅝. Its fourth quarter profits fell to 95 cents a share from $1.46.

Bally Manufacturing lost $⅛ to $19⅝. It has bought an Atlantic City, New Jersey, casino from Golden Nugget for $140m in cash and stock and the assumption of a $300m mortgage. Golden Nugget edged up $⅛ to $12 on heavy volume.

## KEY MARKET MONITORS




**STOCK MARKET INDICES**

| | | | |
|---|---|---|---|
| **NEW YORK** | Jan 19 | Previous | Year ago |
| DJ Industrials | 2,102.50 | 2,076.63 | 1,536.70 |
| DJ Transport | 882.51 | 872.21 | 716.64 |
| DJ Utilities | 223.34 | 222.82 | 172.75 |
| S&P Composite | 269.34 | 266.28 | 208.43 |
| **LONDON** | | | |
| FT Ord | 1,397.0 | 1,403.0 | 1,108.1 |
| FT-SE 100 | 1,778.4 | 1,789.0 | 1,396.0 |
| FT-A All-share | 886.68 | 881.38 | 669.63 |
| FT-A 500 | 972.71 | 978.09 | 731.41 |
| FT Gold mines | 335.2 | 333.0 | 339.5 |
| FT-A Long gilt | 9.96 | 9.91 | 10.87 |
| **TOKYO** | | | |
| Nikkei | 19,188.68 | 19,149.63 | 13,009.7 |
| Tokyo SE | 1,654.37 | 1,639.53 | 1,034.28 |
| **AUSTRALIA** | | | |
| All Ord. | 1,528.4 | 1,531.6 | [illegible] |
| Metals & Mins. | 780.5 | 776.1 | 553.4 |
| **AUSTRIA** | | | |
| Credit Aktien | 219.31 | 220.49 | 252.980 |
| **BELGIUM** | | | |
| Belgian SE | 4,023.09 | 4,006.96 | 2,810.4 |
| **CANADA** | | | |
| Toronto | | | |
| Metals & Minls | 2,173.4* | (u) | 2,256.0 |
| Composite | 3,273.2 | 3,271.7 | 2,869.2 |
| Montreal | | | |
| Portfolio | 1,648.92 | 1,648.64 | 1,533.48 |
| **DENMARK** | | | |
| SE | – | 212.66 | 219.89 |
| **FRANCE** | | | |
| CAC Gen | 415.60 | 417.50 | 278.5 |
| Ind. Tendance | 104.30 | 105.30 | 166.9 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 627.09 | 636.8 | 710.85 |
| Commerzbank | 1,897.30 | 1,996.4 | 2,149.7 |
| **HONG KONG** | | | |
| Hang Seng | 2,460.46 | 2,542.57 | 1,806.86 |
| **ITALY** | | | |
| Banca Comm. | 728.48 | 729.46 | 486.52 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 270.90 | 273.10 | 104.1 |
| ANP-CBS Ind | 262.10 | 265.70 | 255.3 |
| **NORWAY** | | | |
| Oslo SE | – | 369.01 | 401.33 |
| **SINGAPORE** | | | |
| Straits Times | 948.35 | 949.56 | 614.35 |
| **SOUTH AFRICA** | Jan 19 | Prev | Year Ago |
| JSE Golds | – | 2,107.0 | 1,268.3 |
| JSE Industrials | – | 1,464.0 | 1,097.8 |
| **SPAIN** | | | |
| Madrid SE | 253.91 | 234.31 | 112.40 |
| **SWEDEN** | | | |
| J & P | 2,259.20 | 2,239.52 | 1,792.45 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 576.80 | 586.9 | 603.0 |
| **WORLD** | Jan 15 | Previous | Year ago |
| MS Capital Int'l | 387.10 | 382.6 | 255.8 |

**COMMODITIES**

| (London) | Jan 19 | Prev |
|---|---|---|
| Silver (spot fixing) | 367.45p | 369.45p |
| Copper (cash) | £870.25 | £891.00 |
| Coffee (March) | £1,547.50 | £1,425.00 |
| Oil (Brent blend) | $18.65 | $18.775 |

**GOLD (per ounce)**

| | Jan 19 | Prev |
|---|---|---|
| London | $422.00 | $415.25 |
| Zürich | $422.75 | $416.55 |
| Paris (fixing) | $421.42 | $413.49 |
| Luxembourg | $421.50 | $414.75 |
| New York (Feb) | $423.30 | $417.3 |

**CURRENCIES**

| | US DOLLAR | | STERLING | |
|---|---|---|---|---|
| (London) | Jan 19 | Previous | Jan 19 | Previous |
| $ | – | – | 1.5340 | 1.5160 |
| DM | 1.81125 | 1.8440 | 2.78 | 2.795 |
| Yen | 151.30 | 153.40 | 232.0 | 232.50 |
| FFr | 6.06 | 6.17 | 9.295 | 9.3525 |
| SFr | 1.5180 | 1.5440 | 2.3275 | 2.34 |
| Guilder | 2.0430 | 2.0780 | 3.135 | 3.15 |
| Lira | 1,287.50 | 1,311 | 1,975 | 1,987 |
| BFr | 37.55 | 38.30 | 57.60 | 58.05 |
| C$ | 1.3585 | 1.3630 | 2.0865 | 2.0600 |

**INTEREST RATES**

| | Jan 19 | Prev |
|---|---|---|
| Euro-currencies (3-month offered rate) | | |
| £ | 11 | 11 1/16 |
| SFr | 3⅝ | 3⅝ |
| DM | 4 5/16 | 4 5/16 |
| FFr | 9⅛ | 9⅛ |
| FT London Interbank fixing (offered rate) | | |
| 3-month US$ | 6⅛ | 6 3/16 |
| 6-month US$ | 6 3/16 | 6 3/16 |
| US Fed Funds | n/a * | 5¾ |
| US 3-month CDs | 5.75 * | 5.975 |
| US 3-month T-bills | 5.315* | 5.46 |

**US BONDS**

| Treasury | | January 15* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|---|
| 6⅝ | 1988 | (c) | (c) | 100[illegible] | 6.19 |
| 7¼ | 1993 | (c) | (c) | 100[illegible] | 6.93 |
| 7⅛ | 1996 | (c) | (c) | 101[illegible] | 7.07 |
| 7¼ | 2016 | (c) | (c) | 101[illegible] | 7.39 |

*Source: Harris Trust Savings Bank*

**Treasury Index**

| Maturity (years) | Return Index | Jan 19 Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 162.29 | +0.38 | 6.82 | –0.04 |
| 1–10 | 153.89 | +0.20 | 6.53 | –0.04 |
| 1–3 | 143.26 | +0.09 | 6.20 | –0.03 |
| 3–5 | 156.77 | +0.20 | 6.62 | –0.04 |
| 15–30 | 192.20 | +0.99 | 7.76 | –0.05 |

*Source: Merrill Lynch*

| Corporate | January 19* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 3⅞ July 1990 | (c) | (c) | 92.157 | 6.45 |
| SCBT South Central | | | | |
| 10⅞ Jan 1993 | (c) | (c) | 106.125 | 9.535 |
| Phibro-Sal | | | | |
| 8 April 1996 | (c) | (c) | 100.50 | 7.920 |
| TRW | | | | |
| 8⅜ March 1996 | (c) | (c) | 104.125 | 8.079 |
| Arco | | | | |
| 9⅞ March 2016 | (c) | (c) | 112.625 | 8.677 |
| General Motors | | | | |
| 8⅜ April 2016 | (c) | (c) | 95.375 | 8.558 |
| Citicorp | | | | |
| 9⅞ March 2016 | (c) | (c) | 104 | 8.984 |

*Source: Salomon Brothers*

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| US Treasury Bonds (CBT) | | | | |
| 8% 32nds of 100% | | | | |
| March | 100-28 | 100-29 | 100-16 | 101-04 |
| US Treasury Bills (IMM) | | | | |
| $1m points of 100% | | | | |
| March | 94.88 | 94.89 | 94.83 | 94.86 |
| Certificates of Deposit (IMM) | | | | |
| $1m points of 100% | | | | |
| March | – | – | – | 94.45 |
| LONDON | | | | |
| Three-month Eurodollar | | | | |
| $1m points of 100% | | | | |
| March | 94.02 | 94.04 | 94.02 | 94.04 |
| 20-year Notional Gilt | | | | |
| £50,000 32nds of 100% | | | | |
| March | 115-01 | 116-02 | 115-00 | 115-18 |

* Latest available figures

### EUROPE

# Unsettled by freefall of dollar

FURTHER UNEASE over the freefall of the dollar against leading currencies resurfaced on the European bourses yesterday and left many export-oriented dollar-sensitive issues sharply lower.

**Frankfurt** was stopped dead in its tracks as the dollar hit a six-year low against the D-Mark. Virtually all the progress of last week was erased by the sharp 31.1 point drop in the Commerzbank index to 1,897.3.

As the dollar continued to slide after the official fixing, selling gathered pace with car makers, electricals and chemicals all hard hit.

Daimler suffered a hefty DM 33 drop to DM 1,095, while BMW sustained a DM 17 plunge to DM 506. VW at DM 383 was DM 8 cheaper.

Sentiment took a further beating on remarks by finance minister Gerhard Stoltenberg that the Government would privatise its 25 per cent stake in utility Veba in March and sell off its 16 per cent holding in car maker VW later in the year. Veba retreated DM 12 to DM 287.

Hoechst, facing problems with its takeover of Celanese in the US, dropped DM 4.40 to DM 254.60.

Harpener resisted the trend with its DM 10 gain to DM 374 on the announcement of its new board chairman.

Bonds finished quietly higher after strong early rises. Longs held advances of up to 45 basis points. The Bundesbank sold DM 68.9m worth of domestic paper after selling a small DM 500,000 on Friday and the average yield on public authority paper declined to 5.75 to 5.78 per cent.

**Amsterdam** remained hesitant as the dollar slid further against the guilder. Prices dipped with banks and internationals encountering the most pressure.

ABN dropped Fl 15 to Fl 510, while Amro finished Fl 2 cheaper at Fl 129.50. Akzo lost Fl 2.30 to Fl 141 and KLM retreated Fl 1.70 to Fl 35.30.

Unilever at Fl 512.50 was down Fl 3.50, while Philips managed to resist the trend with a 20-cent gain to Fl 45 in reaction to Friday's steady fourth-quarter figures.

**Zurich** lost ground in line with the weaker dollar while the unsettled tone in German markets seeped through to add to the unease.

Sandoz certificates finished the day SFr 60 lower at SFr 1,660 while Ciba-Geigy dropped SFr 125 to SFr 3,175 ahead of its plans for a joint venture in China and its poor profits figures for the year.

Landis & Gyr gave up SFr 20 to SFr 1,770 in advance of an optimistic forecast on stable incoming orders after recent heavy losses.

**Stockholm** rebounded in moderate trading. Fermenta, de-listed last week, closed at SKr 38 on the unofficial list. On the main bourse Skandia, most active, firmed SKr 4 to SKr 118 and Electrolux, also busy, jumped SKr 6 to SKr 289.

**Milan** turned steady to lower as Olivetti picked up L95 to L13,150 on its joint venture with Canon and a good forecast for last year's profits and sales.

**Paris** edged lower in subdued trading. **Brussels** was buoyed by the introduction of new tax deductions for securities purchases while **Oslo** fell back. **Madrid** pushed closer to its record high.

*Rate hopes resurface in Frankfurt, Page 2; Fermenta resumes trading, Page 17*

### SOUTH AFRICA

DESPITE the strong rise in the bullion price, gold shares failed to reach record heights in Johannesburg. The all gold index rose 8 on the previous close to 2,115, but stayed 39 short of its record reached on January 14, according to preliminary figures.

Key gold stock Vaal Reefs lost R1 to R407, although advances included Harmony, R1 to R53, Kloof, 25 cents to R39 and Zandpan, 10 cents to R4.50.

### CANADA

ALMOST all sectors gave ground during heavy trading in Toronto. Only gold shares, boosted by the rising bullion price, moved against the trend to post some sharp rises.

Other mining stocks declined, with Noranda shedding C$⅛ to C$22⅞, while industrials also eased.

Utilities and energy stocks were also generally down.

### TOKYO

# Rate hopes underpin record run

STRONG HOPES for easier credit sparked buying of financial and large-capital stocks in Tokyo yesterday and the Nikkei average hit a record high for the second consecutive trading day, *writes Shigeo Nishiwaki of Jiji Press.*

The closely-watched market barometer ended at 19,188.68, up 39.05 from Friday after fluctuating widely. Volume remained brisk at 988.10m shares, although down from last Friday's 1.27bn. Advances outpaced declines by 457 to 381, with 159 issues unchanged.

The market reflected erratic foreign exchange movements all day. Persistent expectations of another discount rate cut prompted widespread buying, with the index surging 69 points minutes after the opening of the morning session.

However, investors grew uneasy about the dollar's brief plunge to below Y150m on the Tokyo foreign exchange market towards the morning close, as its deflationary effect on the Japanese economy bodes ill for share prices. At one stage, the Nikkei plunged 163 points, slipping below 19,000.

Investors regained confidence when the dollar rebounded to above Y150, leading to steep gains by financial, steel and chemical issues.

Financial stocks were preponderant among the day's largest advances on the back of firm prospects that city and trust banks and insurance companies will chalk up record profits almost across the board in the year to March 1987. The fact that they are hardly affected by the strong yen and US protectionist moves is another factor influencing their price.

Tokio Marine and Fire Insurance strengthened Y60 to Y2,060 on heavy volume of 24.82m shares. Sumitomo Marine and Fire Insurance gained Y50 to Y1,250 and Nomura Securities Y80 to Y3,280. Among city banks, Sumitomo Bank climbed Y60 to Y2,990 and Sanwa Bank Y100 to Y2,200.

The day's large turnover was accounted for largely by busy trading in steel and chemical giants. Nippon Steel remained the busiest stock for the third consecutive session, with 242.96m shares traded, and added Y4 to Y221. Kawasaki Steel, with 43.13m shares traded, and Nippon Kokan, with 29.46m shares, firmed Y1 each to Y205 and Y255 respectively. Mitsubishi Heavy Industries, by contrast, shed Y5 to Y465.

Bonds were bolstered by the strong yen, which added fuel to expectations of lower key lending rates.

Trust banks and non-life insurers actively hunted bargains among unlisted government-guaranteed and local government bonds, whereas many dealers sought quick profits in trading in the 5.1 per cent government bond due in June 1996. The yield on the benchmark debt declined from last Friday's 5.065 to 5.040 per cent.

The majority view in the market was that the possibility of an imminent 0.5 per cent cut in Japan's official discount rate, charged on Bank of Japan loans to commercial banks, had been largely taken into account in prices. Some dealers therefore fear that the government bond underwriting syndicate may have to accept a historically lower coupon of 5.0–4.9 per cent on 10-year government obligations for issue in February if buying activity continues.

### LONDON

INTERNATIONAL shares were unsettled in London yesterday by the sharp fall in the dollar, which brought an early downturn on Wall Street.

Nervousness in both gilts and equities outweighed favourable news on Britain's public sector borrowing requirement and industrial output, and the two-week long upswing in share prices was finally halted.

The FT-SE 100 index closed 10.6 down at 1,778.4, its first downward move since January 5. The FT Ordinary index shed 6.0 to 1,397.0.

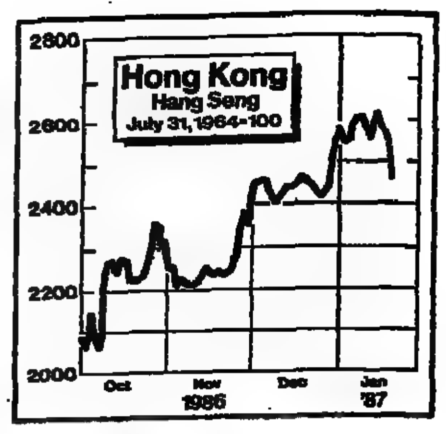
The dollar's weakness discouraged international buyers of equities and oil shares highlighted a general malaise among the multinational issues.

*Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33.*

### SINGAPORE

INTERMITTENT profit-taking combined with some buying interest to leave Singapore mixed on fairly active trading. The Straits Times industrial index gave 1.56 to close at 948.35.

Plantations performed well, with Perlis Plantations up 8 cents to S$4.06, Consolidated Plantations 14 cents higher to S$3.16, KL Kepong 4 cents ahead at S$2.58 and Dunlop Estates 3 cents firmer to S$2.23.




### HONG KONG

THE POLITICAL upheaval in China sent share prices plunging in Hong Kong as worries resurfaced over the future of the colony once it reverts to China in 1997.

The forced resignation of Communist Party General Secretary Hu Yaobang, combined with concern over the dollar's fall and its depressing effect on the Hong Kong currency, took the Hang Seng index into its biggest one-day drop in 19 months. It lost 82.11 to 2,460.46, the worst decline since the rescue of the Overseas Trust Bank in June 1985 when the index fell 86.95 to 1,542.55.

It has lost 130 points in the last six sessions following its record run in early January. The Hong Kong fell 53.1 yesterday to 1,568.71.

Small investors were joined by some investment funds in heavy selling, particularly of property stocks.

### AUSTRALIA

NERVOUSNESS that interest rates might have to rise to support the Australian dollar offset strong buying in Sydney gold and resource stocks, spurred by the jump in the gold price, to ease the market. The All Ordinaries index closed down 2.7 at 1,528.5.

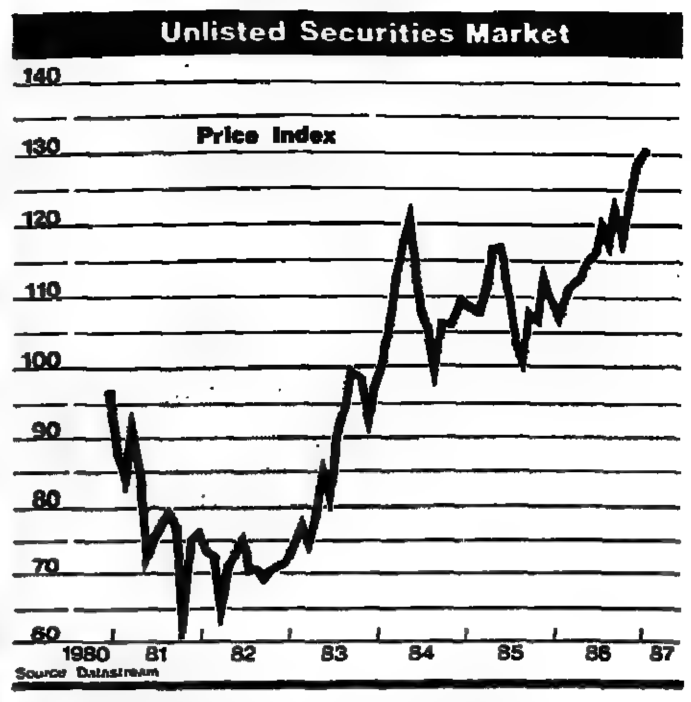
The gold index, by contrast, jumped 48.0 to 2,619.7, with Poisedon climbing 36 cents to a 12-month high of A$6.36, Gold Mines of Kalgoorlie gaining 20 cents to A$17.50, Central Norseman edging up 10 cents to A$17.40 and Western Mining closing 10 cents up at A$6.38.

Media stocks were mixed. Advertiser Newspapers stood out with a rise of 14 cents to A$6.14 on speculation of a bid from IEL. Fallers included Queensland Press, down A$1.00 to A$21.00 and Herald and Weekly Times, 15 cents to A$14.70.

# FINANCIAL TIMES SURVEY

# Unlisted Securities Market

**The competitive climate after Big Bang and the introduction of the Third Market create problems for the USM. Yet the six-year-old forum for deals in the shares of young companies, which now has more than 500 members, has never been in better shape to face fresh challenges.**


## Hazards of a new role

**By Alice Rawsthorn**

IN ITS early years the chief challenge confronting the Unlisted Securities Market was to establish itself as the forum for dealings in the shares of young, growing companies. Six years later there can be little doubt that the USM, which has recruited more than 500 companies and is currently capitalised at almost £5bn, has achieved that goal.

Yet a new set of challenges lies ahead. The USM has already survived the near-collapse of two of its largest sectors—oils and electronics—to emerge as a broader-based and better balanced market. Initial indications suggest that it has even emerged unscathed from the first onslaught of the Big Bang.

But *from Monday onwards* the USM will no longer function as the Stock Exchange's "junior market." That role will be filled by the Third Market. If the Third Market succeeds, then it, rather than the USM, will become the natural forum for the shares of young, growing companies. And the USM will face the task of redefining its role within the London securities market.

All this may sound rather daunting. But the USM has never been in better shape to tackle a new set of challenges.

The USM began 1987 by trading in the shares of 373 companies, collectively capitalised at £4.76bn, compared with £3.5bn at the beginning of 1986. Gone are the days when the *market was dominated by* speculative oil and electronics stocks. These sectors now account for little more than 10 per cent of the market: partly because the problems of their industries have taken their toll on their market ratings; but chiefly because such an eclectic combination of new companies has surfaced to take their place.

The largest single sector on the USM is now, aptly, "miscellaneous," which embraces an assortment of mini-conglomerates, yuppie engineers, architects and undertakers.

Overseas companies, principally from the US, have emerged as the second largest sector. This sector was boosted in 1986 by the arrival of two large US companies: Mrs Fields, the cookie concern, and Borland International, the software house, originally capitalised at £210m and £62m respectively. The recent US taxation reform should make it rather less lucrative, however, for US companies and their shareholders to go public overseas, thereby stemming the flow of new US issues.

The broader balance of the USM did little to detract from its activity. During 1986 USM companies raised £91m from rights issues, representing only a slight decline on the £118m realised in 1985.

Corporate activity continued unabated. Although the very active companies, like the Parkfield Group and Cannon Street Investments, hogged the headlines, smaller USM stocks were acquisitive too. One company in four staged at least one acquisi*tion during 1986, compared with* one in five in the previous year.

Meanwhile, new companies streamed on to the market. In October the USM welcomed its 500th recruit in Interlink Express, the overnight parcel-delivery service. With the rags-to-riches story of its founder, Mr Richard Gabriel, who had built up a £30m business within five *years of wending his way* around the streets of London as a motor-cycle messenger, Interlink matched public perceptions of a USM growth stock perfectly, and the issue was healthily over-subscribed.

All in all, 94 new companies joined the market — slightly fewer than the 98 in 1985, but capitalised at just over £1bn. Perversely the most visible flotation, that of Mrs Fields, was also one of the least successful. The issue flopped, leaving the sub-underwriters with 84 per cent of the shares.

Mrs Fields stumbled at the first hurdle, as did Marina Developments, M6 Cash and Carry and Wooltons Betterware, all of which began their careers on the USM with under-subscribed flotations. But these failures should not be allowed to detract from the successes of companies like Anglia Secure Homes, the Shield Group, TV-am, Hodgson Holdings, Miller and Santhouse and Northumbrian Fine Foods which all saw their shares rise to an immediate premium and have watched them rising steadily since.

A less encouraging aspect of the new issues field has been the effects of the Stock Exchange's revised rules which came into effect on Big Bang day, October 27. The Stock Exchange intended that its reforms should make it cheaper and easier for companies to raise capital from the securities markets and would clamp down on the "stagging" of USM placings.

The new rules have succeeded on both counts. But they have also had the effect of eroding the price differential between USM offers for sale and main-market placings, to such an extent that a succession of prospective USM stocks — such as S. Daniels and Miss Sam Holdings — have opted for full listings.

A paucity of offers for sale — which attract attention and tend to bring larger, more dynamic companies on to the market — poses one problem for the USM. A more profound problem is presented by the second aspect of the new rules, which may have succeeded in quashing "stagging" but has effectively excluded individual investors from participating in placings.

So far it has been the interest of individual investors that has catalysed the USM's growth. An informal group of stockbrokers *involved with the USM has lobbied* the Stock Exchange, so far unsuccessfully, to review the new rules.

Just as the influx of companies coming on to the market continued, so did the efflux of companies moving off it. Three stocks went into receivership: Castle (GB), ICC Oil Services, and Metal Sciences: while one, *Air Call, returned to private* ownership. Meanwhile, 22 companies were gobbled up in acquisition.

Yet the single largest cause for departure was graduation to a full listing. In the course of the year, 28 companies, capitalised at £820m, left the USM for the main market. Most were the larger, more substantial stocks such as Blue Arrow, Body Shop, Central Television, Polypipe and Valin Pollen, which flourished during their years on the USM.

Others were smaller companies, some valued at less than £15m, which looked rather immature for graduation. Most of these companies cited concern that the USM would become too illiquid a market after the Big Bang as their reason.

So far their concern has been groundless. Since deregulation, the new, more competitive climate in the City seems to have

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contents

Big Bang

# Turnover growth picks up

IN THE approach to the Big Bang in the City of London there were two schools of thought as to how it would affect the USM. One was optimistic, the other pessimistic.

The pessimists argued that after deregulation, in the more competitive climate in the City, the securities houses would concentrate on dealing in the shares of large companies, or "alpha" stocks, which would generate, bigger, more profitable transactions.

The shares of smaller companies, like those quoted on the USM, would be neglected in the scramble to corner the bigger deals. It would thus become increasingly difficult to trade in the shares of smaller companies. This liquidity problem would apply to all small companies, but would, or so the pessimists argued, be particularly acute on the USM, if only because so many small companies congregate there.

The optimists maintained that not every securities house could find a place in the market for dealing in alpha stocks. As the City of London became more competitive many of the houses would look for "niches" in which to make their name. What better niche than one dealing in the shares of young, growth-hungry companies, any one of which could turn into a Blue Arrow or a Body Shop?

So soon, after Big Bang, it is difficult to tell whether it is the optimists or the pessimists who will be vindicated. But there is evidence to suggest that different aspects of each argument could prove to be correct.

Certainly, in the months before the Big Bang, the pessimists' worst fears appeared to be borne out.

First, several market makers—or jobbers as they were then called—began to rationalise their USM portfolios; then institutional investors started to withdraw from the market; the number of "graduations" from the USM to the main stock market accelerated, as did the flow of new issues that looked like suitable candidates for the USM but which headed for the main market.

When the Big Bang finally struck, the outlook seemed distinctly less gloomy. Many of the large corporate sponsors of USM companies—such as Capel-Cure Myers, Phillips & Drew and Savory Milln—set up market-making operations, chiefly to deal in the shares of their own clients and in a few other selected USM stocks.

In the weeks immediately before the Big Bang these new market makers stimulated activity by building up their stocks of shares in preparation for deregulation. In the week ended October 17, the USM enjoyed the busiest week in its short history with 8,192 individual transactions worth £116.58m.

After deregulation, almost all USM stocks emerged with more than one market maker—the majority sported three. Most of the market has been classified in the "gamma" category. A few stocks, generally the larger, most active companies or those within active sectors such as television or insurance, were classified as "beta" stocks.

Perhaps perversely, Mrs Fields, the US cookie producer and the single largest company on the USM, was one of the first stocks to be demoted to "delta" status, becaus it could claim just one market maker. It has since been reclassified as an "alpha."

Immediately after Big Bang, the pace of business on the USM was rather sluggish. The new market makers conducted some business, but were not unusually active. Perhaps the most pertinent feature was that the large institutional investors tended to concentrate on feeling their way through the new system with the large "alpha" stocks and new international securities houses which had arrived in London, to the detriment of dealigs in small companies.

But trading picked up rapidly, and in the closing weeks of the year—until the traditonally lack-lustre Christmas period—the turnover of shares on the USM rose healthily.

In the first 10 months of the year, until Big Bang on October 27, the average daily value of business conducted on the USM had been £10.5m. Between Big Bang and the Christmas period—it increased to £14.2m—a rise of 35 per cent. The average number of daily transactions increased over the same period—by 32 per cent, from 1,581 to 2,081.

The growth in turnover on the USM was rather lower than that on the main market. The average daily value of shares transacted on both markets rose by 54 per cent, from £648.6m to around £1bn between Big Bang and Christmas but this period included the boost of the mammoth £5.6bn British Gas share issue.

Thus the growth in turnover on the USM seems, on the surface at least, to be rather reassuring. Where has all this new business come from?

The answer seems to be: from the larger, more active stocks in which there is lots of interest and which have benefited from the appearance of so many new market makers on the USM.

Feedback from USM market makers suggests that business in the shares of the smaller companies, which have long suffered liquidity problems, is as sluggish as ever, but that the larger stocks look livelier. Perhaps the most important issue will be the fate of the middle-ranking USM stocks, to see whether the market in their shares becomes more or less liquid.

A parallel problem would be posed if one of the older-established USM market makers, such as County Securities, decides to prune its portfolio, thereby relegating a huge swathe of USM stocks to ranks of the "deltas."

In the meantime, many USM participants are concentrating their minds on the effect of the introduction of the Third Market, and of the Stock Exchange's revised rules on new issues which effectively restrict public shareholders' access to share placings, rather than on the longer term implications of the Big Bang.

**Alice Rawsthorn**

New Issues

# Changes but not without anguish

THE LAST year has been an eventful one for new issues. It has brought the biggest-yet USM flotation, one or two astronomic premiums, a fair sprinkling of flops, and some far-reaching changes in the rules governing the way USM companies are brought to the market.

At the beginning of 1986 it seemed that the supply of new companies coming to the USM was in danger of drying up. In the first quarter, there were only seven new issues compared with 16 in the same period the year before, and some feared that the imminence of Big Bang was scaring companies away.

Those fears proved shortlived, for the remaining three quarters proved highly bouyant and new issue activity continued apace both before and after Big Bang at the end of October. By the end of the year, the total of 94 new issues was only a touch short of the previous year's 98, and the total value of new issue proceeds was an all-time high at £289.9m compared with £257.5m the year before.

Debbi Fields, president of Mrs Fields: size of the flotation does not necessarily mean success

Part of the reason for the record new issue proceeds was the large size of several USM flotations during the year. Wickes, Mrs Fields, Borland International and TV-am between them added some £320m in market capitalisation to the USM—indeed, Mrs Fields, valued at £210m at its flotation price, is by far the largest company yet to have come to the market.

Yet size does not necessarily mean success, as Mrs Fields found to its cost. Institutional investors were suspicious of its motives for coming to the UK market instead of the US one and regarded it as overpriced. Offered at 140p in May, its shares ended their first day on the market at 125p and have only recently overtaken their flotation price.

Borland International, the US software house, has fared only slightly better. Offered at 125p in July, it saw a high of 180p in early September but has since fallen back to levels little above its flotation price.

Successes are also hard to find among the other offers for sale. Antler, offered at 130p, sank to a low of 99p in August and is still only half-way back to its issue price; Monotype, offered at 157p, has only recently recovered from its low of 118p in September; and Marina Development, heavily undersubscribed when it came to the market in July, is at a big discount to its 110p offer price.

The notable successes have been limited to Wickes, TV-am, Ryman, Interlink and TSB (Channel Islands). Of these, only TV-am, buoyed by enthusiasm for the television sector generated by the flotations of Thames and Yorkshire, and TSB (CI), aided by the success of its bigger brother's flotation, have done particularly well.

Instead, the really astronomic premiums have been reserved for one or two of the more quirky placings, where it is all too easy for lack of availability of stock to combine with a surge in demand to produce some dizzy gains. Prime examples are Shield, the property company, whose share price doubled in its first week on the market after it announced it had won planning permission for a Hampstead development; and Glentree, the estate agent which came to the market on a tidal wave of self-generated publicity and achieved the unusual feat of moving its 16p issue price up by over 200 per cent.

Notwithstanding the false impression created by these very large gains, the majority of USM new issues—whatever the method of flotation—do not go to big premiums. Statistics from stockbrokers Hoare Govett show that 60 per cent of this year's new issues have either been at premiums of 10 per cent or less, or actually at discounts, at the end of their first week on the market. This is in spite of a significant downgrading of the price/earnings multiples attached to new issues over the past year, which suggests either that the downgrading exercise still has further to go, or more probably—and perhaps more disturbingly—that many newcomers to the market are perceived as being of dubious quality.

Placings remain by far the dominant form of flotation on the USM, but two changes to the way they are carried out have brought a degree of anguish in some quarters.

One change has been to abolish the rule which said that 25 per cent of the shares issue in a placing must be made available to the market. Instead, the shares can either be advertised as though in a mini offer for sale, or handed over to a co-sponsor to distribute.

The trouble is that sponsors tend to choose the latter method because it is less expensive. But when this happens, the chosen co-sponsor invariably distributes the shares among its own clients, giving nobody else an opportunity to buy. This has brought complaints from small investors who have found it difficult to obtain shares in placings, and from institutional investors who have complained of lack of liquidity in the after-market.

| USM NEW ISSUES | |
|---|---|
| 1980 | 23 |
| 1981 | 63 |
| 1982 | 62 |
| 1983 | 88 |
| 1984 | 101 |
| 1985 | 98 |
| 1986 | 94 |

The Stock Exchange has come under pressure to revert to the old system, but so far shows little inclination to do so. Its view is that the old system may have given people a better chance of obtaining shares in a placing, but the number they received tended to be so small that the allocation was of very little benefit.

"It is a problem which defies solution," the exchange says, "but at least under the new system it is possible for some people to get a reasonable holding."

The second change has been to increase the maximum sum that can be raised through a USM placing from £3m to £5m, while at the same time increasing the main market limit to £15m. This has brought criticism from defenders of the USM, because any company wanting to raise a sum between £3m and £15m will almost always choose a main market placing rather than a USM offer for sale, so companies may be diverted from the junior market to the main one.

It is certainly true that the weeks since the change was made have been marked by a flood of small company placings on the main market. However, the lack of any noticeable downturn in the number of USM flotations in the same period suggests that the change has not been to the junior market's disadvantage.

**Richard Tomkins**

Main-market graduates

# Leavers worth more than stayers

"THE SITUATION has become quite ridiculous," said one small companies analyst. "Ask a corporate financier and they will all tell the same story. In the last few months any company that has been on the USM for longer than two years has been screaming to get off.

"They are worried about staying on the junior market for too long. They are worried about the Big Bang. They are worried about everything and nothing."

The accelerating pace of departure has been one of the salient features of the last year on the USM. In 1986, for the first time, the market capitalisation of the companies leaving the market was higher than that of those joining it.

Some companies, like Metal Sciences, the start-up venture which went into receivership in August, left under a cloud of gloom. Others, like the acquisitive meat producer, Meadow Farm, which was gobbled up by the even-more-acquisitive Hillsdown Holdings, were bought out.

Yet the largest single cause of departure from the USM was graduation to a full listing. Twenty eight companies left the USM for the main market in the course of the year, capitalised collectively at around £820m.

In many ways this increase in the pace of graduation was predictable. The USM was devised as a "nursery" market in which companies could find their feet before making the transition to the more rigorously regulated environment of the main market. As the USM has matured, so have the companies quoted on it; accordingly, more and more of them have attained a size and a stature to merit full listing.

**The increase in the pace of graduation was predictable. The USM was devised as a "nursery" where companies could find their feet before making the transition.**

Many of the companies which graduated in 1986 fell into this category. And many act as eloquent testimonies to the merits of investment in young, growth-hungry companies.

Blue Arrow, the recruitment and contract cleaning group, which joined the USM in 1984 when valued at £3.1m, graduated in the autumn and is now capitalised at around £147m. Body Shop, the natural beauty products retail group, which graduated in the spring, has grown from a capitalisation of £4.8m to around £76m in less than three years.

The stockbroker, Hoare Govett, recently calculated that the "average" USM graduate spends 25 months on the USM, during which time its capitalisation quadruples to just under £35m.

But some of this year's graduates fall into quite a different category. Companies like Brint Investments, Federated Housing, Penny & Giles International and Scantronic all moved up to the main market at a time when they were capitalised at less than £15m and arguably seemed better suited to the USM.

All a company needs to do in order to graduate is to present a set of full listing particulars to the Stock Exchange and prove that it can satisfy the standard requirements for a full listing—namely, a five-year trading record and the release of at least 25 per cent of its equity into public issue.

Mr. Roger Hardman, small companies analyst at the stockbroker James Capel, suggests that companies should time their graduation to coincide with the publication of preliminary results, in order to minimise the expense. Similarly, they should arrange for their move to the main market to be accompanied by a placing of shares or the announcement of an acquisition in order to stimulate institutional interest.

These are the formal criteria. But to stage a successful graduation from the USM a company must satisfy other considerations.

The advantages that a transition to a full listing can bring are obvious. Many of the large institutions eschew investment in the USM as a matter of policy. In order to secure support from these houses—or to stage a substantial acquisition in the UK or even a modest purchase overseas—a full listing is essential.

For companies like Blue Arrow and Body Shop, both of which have reached a size at which they can expect to attract a great deal of institutional attention and which are in the throes of active overseas expansion, a move to the main market looks like a natural develoment.

But for small and insubstantial companies none of these advantages apply. An unpromising or immature stock is unlikely to attract institutional support, whether quoted on the USM or the main market, and is, by definition unlikely to be contemplating staging substantial aquisitions either in the UK or overseas.

A premature move to the main market will bring few benefits and, potentially, many problems. Most of the smaller companies that have announced plans for graduation have cited concern that the USM will become too illiquid a market after the Big Bang as their reason. Yet the shares of inactive small companies on the main market are likely to be every bit as illiquid, if not more so, than those quoted on the USM.

"There are more than a thousand companies capitalised at £65m or lesson the main market," said Mr Geoffrey Douglas, head of USM research at Hoare Govett. "A small company needs to work very hard indeed to stand out.

"At least on the USM a company has the advantage of operating within a defined universe. If they move to the main market too soon, they could easily become lost among so many others."

As a general rule, Hoare Govett suggests that the USM should be the natural forum for companies capitalised at between £5m and £20m, and that they should wait until their capitalisation has risen above £30m before considering graduation.

Many USM graduates have thrived since their move to the main market, Television South, the independent television station, for example, has emerged as one of the highest rated stocks in its sector, while Wight Collins Rutherford Scott, the advertising agency, has embarked upon an ambitious acquisition programme in both the UK and the US.

But graduation is not a guarantee of success, as Micro Focus, Oceonics and Sovereign Oil & Gas have found to their cost. All three are USM graduates, and all three emerged among the worst performing shares of 1986.

**Alice Rawsthorn**

Anita Roddick, founder and managing director of Body Shop, which graduated last spring.

The Third Market

# Criteria for the young and small

IN NOVEMBER 1980 the Stock Exchange Council founded a new forum for dealing in the shares of companies that were too young, or too small, to go public on the established stock market. That forum was the USM.

At that stage the council perceived young, small companies—or at least those suitable for flotation—as being those with a trading record of at least three years; prepared to release at least 10 per cent of their shares into public issue; and able to satisfy both the Stock Exchange quotations committee and their sponsoring bank or stockbroker that they were suitable to go public.

On Monday the Stock Exchange will introduce a new forum for dealing in the shares of companies that are too young, or too small, even to be quoted on the USM. This forum will be called the Third Market and will function as a junior tier to both the USM and the established stock market.

The criteria used to decide whether a company is suitable for quotation on the Third Market will be rather different from those applied to the USM and main market. In order to enter the Third Market a company must:

- Produce audited accounts—without material qualification—for at least one year. Alternatively, a "greenfields" company could join, providing it can prove that it needs capital to finance a viable project.
- Be incorporated in the UK and have at least three directors on its board.
- Ensure that there is nothing in its articles of association that could impede the settlement of dealings in its equity.
- Convince a Stock Exchange member firm that it will be worthwhile to sponsor the company on to the Third Market. It must also give undertakings to the sponsor that it will supply the market, and its shareholders, with adequate information about its affairs.

Thus the Third Market will accommodate companies which are far younger and smaller than those on the USM. The Stock Exchange also envisages that the 20 or so mineral exploration companies, now dealt with under Rule 535(3), will transfer to the Third Market; as will future "greenfields" ventures, some of which have—hitherto—gone public, generally unsuccessfully, on the USM

The decision whether a company is suited to the Third Market will be taken not by the quotations committee, but by the company's sponsors. The Stock Exchange has thus, it hopes, "distanced" itself from the riskiness of Third Market investment. It has, however, stipulated that Third Market-prospectuses should, like those for Business Expansion Scheme issues, carry a "risk" warning.

Once a company has joined the Third Market, the requirements it must fulfil are far more lax than those for fully listed or USM-quoted companies.

The company must publish annual accounts but need not publish its interim, or half-yearly, financial results. Nor need it circularise its shareholders when it makes acquisitions or disposals, although it must make a public announcement about larger deals. The company need not release a minimum proportion of its equity, nor will its BES status be jeopardised by its joining the Third Market.

The Third Market, like the USM, has been founded in response to a need. The USM, has been formed in order to accommodate all the companies that were trading their shares in the mysterious market conducted under the auspices of Rule 163(3); while the Third Market has been structured to absorb the companies that have dealt on the over-the-counter market.

The Stock Exchange hopes that the Third Market will appeal not only to companies now using the OTC market, but also to those which have been deterred from joining that market because of its rather raffish reputation and liquidity problems. The involvement of Stock Exchange members as sponsor and market makers will, it is hoped, lubricate the Third Market. This increased liquidity, together with the "respectability" that the custodianship of the Stock Exchange will offer, should, so the theory goes, encourage more individual investors to use the market.

Will the Third Market be successful? There are so many issues to be resolved. How will the Stock Exchange, and prospective investors, react if it is tinged with the same whiff of scandal that has often tinged the OTC market? Will the Third Market pose a threat to the USM? How liquid a market will it be?

So far, interest in the market has been strong. Almost 70 companies have expressed to the Stock Exchange an interest in dealing on the market. Twenty-eight member-firms—from established stockbrokers like Kitcat & Aitken and Buckmaster & Moore, to newer recruits like Guidehouse—intend to act as sponsors; and six plan to act as market makers.

Meanwhile, there are a stream of venture capital-funded companies—from management buy-outs to BES issues—waiting in the wings to trade their shares. The accountants Touche Ross expect 200 companies to deal on the Third Market by the end of its first year, and 15 are already on the starting-blocks for Monday.

**Alice Rawsthorn**

Sponsors

# Activity spread between many houses

AMID ANOTHER year of hectic new-issue activity on the USM, there has been no shortage of work for the corporate finance departments of the most active merchant banks, stockbrokers and issuing houses.

But if a list were to be drawn up of all the sponsors involved in bringing companies to the USM in 1986, its most striking aspect would be the sheer diversity of the names.

This diversity comes as a surprise for two reasons. First, it would have been only natural to see a gravitational pull exerted by the previous year's most active participants. Second, in the year which brought Big Bang and the accompanying worries about who would be making markets in USM stocks afterwards, it would have been understandable if companies coming to the USM had sought the comfort and safety of the bigger firms with in-house market-making capacity.

In the event, neither happened. Figures produced by Peat Marwick, the accountancy firm, show that, of the previous year's 10 most active sponsors, only two recur in the 1986 list of leading houses; and the most active of all in 1985—Simon and Coates, now part of Chase Manhattan Securities—has disappeared off the map.

Meanwhile, far from becoming concentrated in a smaller number of larger hands, sponsorship of the 92 new issues was spread between no fewer than 55 houses in 1986, many of them very small; and only nine houses did more than two flotations each during the year.

So, first of all, what happened to last year's most active participants?

Simon and Coates is said, by its rivals, to have suffered partly from its past association with the poorly-performing high technology sector, and partly from an embarrassing incident last summer when members of its staff were found to have stagged one of its own issues (the main market flotation of Windsmoor, the fashion house).

In fairness to the firm, however, it had been saying from early in the year that it did not expect to be an active sponsor of USM stocks in 1986 because of widespread fears about marketability around the time of Big Bang.

"It has been very much a pause year for us," says Chase Manhattan's Mr David Cohen, "not so much because of any particular policy against USM flotations, but rather because of our decision to encourage companies to ask themselves whether they were coming to the right market at the right time.

"In the last part of the year there were worries about the market-making function post-Big Bang, a lot of institutions were actively culling their USM portfolios, and there was a glut of competing USM flotations. We took the view that companies which were prepared to wait another year or two for a full listing might well be rewarded by a higher level of after-market interest and a better rating.

"We are still getting as many flotation propositions as we did before, and we have certainly not lost interest in smaller company flotations since our amalgamation with Chase Manhattan. We are developing our small-to-medium sized companies unit as an adjunct to our main effort."

Phillips & Drew, the stockbroker, has long vied with Simon & Coates for the position of top USM sponsor; but instead of stepping up into the number one slot in Simon & Coates's place, it has sunk well down the charts.

P&D's Mr Alistair Alcock says its rate of involvement in new issues has not declined, but that the proportion of those in which it has been sponsor as well as broker has gone down. The size of the issues has also gone up, so they are now more likely to be on the main market than on the USM.

Robert Fleming, the merchant bank, is another USM sponsor that has dropped out of sight recently—but not because of any new-found aversion to the junior market.

"It's just that we have been pretty active this year on a number of much bigger transactions," says Mr Strone Macpherson.

"We have also been going through a period of refocusing in which we have been setting up teams to specialise in technology, telecommunications and pharmaceuticals, and I think you will now be seeing a lot more activity from us in these sectors."

By far the busiest USM sponsor in 1986—indeed, the only firm to have sponsored more than four issues—was Capel-Cure Myers.

Well-known for its specialisation in small companies, Capel-Cure has long been an active player on the USM; but a more aggressive approach to the new issues market last year enabled it to capitalise on the downturn in new-issue activity, among other big sponsors, and come out firmly at the top of the league table.

"We have always said that small is beautiful and we have been dealing with small companies a lot longer than most other brokers," says Capel-Cure's Mr Mervyn Greenway. "Our position at the top of the table is a case of success breeding success."

One reason why new-issue sponsors have continued to proliferate on the USM lies in the effects of Big Bang. Sponsors who now find themselves in groupings with market-making capacity are naturally obliged to make a market in stocks which they bring to the Stock Exchange. If they envisage difficulties in doing so—for example, because the issue is particularly small—they are more likely than ever to turn their noses up at it, thus leaving it to a smaller house without that market-making capacity.

Yet the proliferation has not all been in the direction of the smaller houses. Merchant banks, too, have been active sponsors of USM flotations. The small companies of today, after all, are the big companies of tomorrow, and merchant banks like to catch them young.

Mr Tom Brockbank, a director of the small companies unit at Hill Samuel, says his bank never subscribed to the doom-and-gloom view of the USM's future and remain as keen as ever to sponsor USM flotations. At the same time, however, he does not particularly distinguish between a USM quotation and a full listing. "We are an equal-opportunities sponsor: what we seek to do is to help a company choose the best market to suit its needs."

But why have merchant banks proved so popular as USM sponsors when they can often cost perhaps £20,000 to £30,000 more than a broker?

According to Mr Brockbank, there is a simple answer. "The brokers' primary clients are his investment clients, and it is towards them that his first loyalties lie. If your issue is sponsored by a broker you therefore run the risk of having it underpriced, because when it comes to the crunch he has to look after his investment clients' interests.

"The extra costs of using a merchant bank pale into insignificance when you consider the risk of giving away part of the value of your company irretrievably."

**Richard Tomkins**

LEADING USM SPONSORS

(Joint sponsorships are counted as ½)

| 1986 Sponsor | Flotations | 1985 Sponsor | Flotations |
|---|---|---|---|
| Capel-Cure Myers | 11 | Simon & Coates | 8 |
| J. Henry Schroder Wagg | 3½ | Phillips & Drew | 6 |
| Brown Shipley | 3 | Robert Fleming | 5 |
| Hill Samuel | 3 | Hambros | 4 |
| Lloyds Merchant Bank | 3 | Samuel Montagu | 4 |
| Rowe & Pitman | 3 | United Trust & Credit | 3½ |
| Savory Milln | 3 | Capel-Cure Myers | 3½ |
| Phillips & Drew | 2½ | Albert E. Sharp | 3 |
| Earnshaw Haes | 2½ | Fiske | 3 |
| | | Hichens Harrison | 3 |

Source: Peat Marwick

The second marché

# Faster growth than London's

FRANCE'S SECOND Market may have started after London's, but it has come from behind and quickly outstripped its rival across the channel.

The second *marché*, by the end of November, numbered over 170 companies, with a total market capitalisation of FFr 112bn—nearly two-and-a-half times that of the London Unlisted Securities Market on which it was openly modelled.

And there is room for more growth. The capitalisation of the French equity market as a whole amounts to no more than 15 per cent of the country's gross domestic product—little more than half as much as in West Germany, and barely a fifth of the level in the UK.

With an ambitious privatisation programme bringing large companies to the full market, and a continuous flow of small and often family-owned companies coming to the Second Market, the weight of equity capital in France's economy seems destined to grow.

"The progress can continue. The Second Market has entered the culture of the economy and of the stock market," commented Mr le Menestrel, of Paris brokers Ferri Ferri Germe.

The development of the market has also contributed to the revitalisation of some of the French regional stock exchanges, such as Lyon, Nancy or Nantes.

The market offers the three great advantages of raising capital for expansion—although this aspect has been relatively little used by French companies—cashing in part of the value of the company and securing a considerable amount of publicity.

For Clarins, the cosmetics company, the flotation achieved a significant internal public relations exercise and raised employees' involvement in the group.

The size of the companies that have chosen the road to the Second Market varies enormously, although the average capitalisation is much heavier than for the UK market. While the market includes a good number of the small and medium-sized companies for which it was designed, it also shelters some much larger companies, attracted by the minimal information they have to give to investors and by the fact that they are not obliged to float more than 10 per cent of their shares.

The 10 per cent limit is a significant point for many family-owned concerns which do not want to lose control of their companies or to expose themselves to the wave of takeovers now upsetting the main French stock market.

Mr David Dautresme, author of the report which led to the setting up of the market and now with Lazard Freres, even called it "the principal technical reason for the success of the institution."

It is one of the factors that weighs with Cap Gemini Sogeti, the multinational computer services company, whose market capitalisation now runs close to FFr 7bn—over 6 per cent of the whole Second Market.

Cap Gemini offered 10 per cent of its capital for sale on the Second Market in the summer of 1985. At a price of FFr 650 a share, the offer was over-subscribed 123 times. A second attempt a week later, at a price of FFr 875, still brought a 30 times over-subscription.

The shares are now trading at over FFr 2100, one of the more stellar earnings multiples, at least on a historical basis, of a market that is not shy of spectacular ratings.

If the company itself sees no need to move to the full market, the *Commission des Operations de la Bourse*, the stock exchange watchdog body, feels Cap Gemini has grown too large for the Second Market. Mr Serge Kampf, Cap Gemini's chairman, acknowledged last year that the company might have to transfer to a full listing in 1987.

Although Cap Gemini may be unusually large, there are a number of other companies on the Second Market whose size is somewhat larger than the market's designers originally intended, such as Dumenil Leble or Cardif in the financial sector—both capitalised at around FFr 3.5bn—or Electronique Serge Dassault, a subsidiary of the aviation company, capitalised at around FFr 3bn.

Dumenil Leblé, like Cap Gemini and like a host of other companies joining the Second Market, was heavily over-subscribed when it was floated in December 1984.

A first attempt at an introduction saw demand for 116 times the shares available. A second attempt, this time with a full offer for sale, saw even heavier demand with allotments scaled down to 0.8 per cent of the order.

An inquiry carried out by the Stock Market Commission showed that the foreign subsidiary of a major French bank had, on its own, sent in orders totalling 14 times the number of shares offered.

One financial establishment applied on behalf of each of the 13 institutional investors whose funds it managed for 62,500 shares, more than the 60,000 offered. Two individuals, including the fund manager, applied personally for more than FFr 30m of Dumenil shares.

"There is a permanent problem in the weakness of the supply of shares in relation to demand: only a small proportion of orders are filled, many small orders are eliminated, and some price fixings in the market have an apparently arbitrary character," the commission concluded.

The scandals surrounding some flotations in the past have been greatly reduced, partly by the technique of freezing applicants' funds during a full offer for sale. These measures can only ease the problems caused by too much money and too few shares, however.

"With an average issue of FFr 20m or 30m, it is no problem to find FFr 2bn or 3bn chasing that amount of stock," says Mr le Menestrel, of Brokers Ferri.

The same problem affects the liquidity of shares in the secondary market—always a weak point of the Paris marketplace.

"It is essential to assure the liquidity of the aftermarket. If the market is not liquid the price does not rise," said Mr Thierry Descamps, of Credit Commercial de France, one of the leading sponsors of second market introductions.

**George Graham**

Institutions

# Volumes hold up despite some culling

ONE OF THE most widely-voiced fears about the future of the USM in the run-up to Big Bang was that the big institutional investors, whose participation is so vital to a thriving market, might be frightened off by worries about the marketability of USM stocks.

On the evidence available to date, these fears have proved to be exaggerated. Many institutions have undertaken a critical re-examination of their USM portfolios and a certain amount of culling has taken place, but there appears to have been a ready market for the glut of new issues post-Big Bang, and trading volumes have held up strongly.

Anecdotal evidence from institutional investors supports the view that Big Bang has done little to change attitudes towards the USM for better or for worse.

Legal & General Assurance, for example, says that although it has not been very active in taking up new issues lately, this is more because of its perception of the quality of the companies being floated than because of any aversion to the junior market.

"We are not worried about marketability because it has always been effectively on a matched bargain basis, and Big Bang has done nothing to change that.

"We find that there has been a reasonable amount of turnover and that you can normally find buyers and sellers fairly easily. One or two market makers are now specialising in the smaller stocks and know exactly where to go to match the bargains.

"We always felt that the good stocks would come through Big Bang without any problems, and that has turned out to be the case."

The Scottish Amicable Life Assurance Society says that far from contracting its USM portfolio, it has been taking advantage of the relative underperformance of smaller companies' shares to expand its investment in this sector of the market. Smaller companies now account for some 25 per cent of the value of its funds under management.

"Marketability is one of our prime concerns," says Mr Jim Fisher, deputy investment manager. "If we invest in a company with good management and good prospects, we have to be sure that when its share price reaches our expectations, we are going to be able to sell.

"It's a bit early yet to say how marketability of USM stocks is going to settle down after Big Bang. But one of the best aspects of the market now is that some of the smaller brokers have started to specialise in researching beta and gamma stocks.

"Previously we have had to rely almost entirely on our own analysis, and with a portfolio as wide as ours, this was always in danger of taking up a disproportionate amount of our analysts' time."

Mr Brian Kirkland of Prudential Portfolio Managers says he is aware that some institutions were culling their portfolios before Big Bang and in some ways the Pru had become a bit more selective.

"I don't like to generalise, but we have been looking for companies with positive plans for future growth and staying away from those where the family wants to retain control.

**Big Bang seems to have done little to change attitudes towards the USM. But a test more severe than Big Bang will be the onset of the next bear market.**

"On the whole, I don't think Big Bang has made any significant difference. But one thing we have noticed is that some market makers have been showing signs of initial nervousness about how many shares they will make a quote in, and setting wide spreads.

"It has been easier to deal in stocks where you have the active involvement of the sponsoring brokers because they are more ready to make a market in the company's shares."

PosTel Investment Management says its main concern has long been the quality of research into USM stocks and it is not yet convinced that Big Bang has done anything to improve this.

"We are always looking for growth situations but we have limited resources to research all these companies ourselves and we are therefore reliant to a large extent on external resources to research the stocks for us.

"The trouble is that for that amount of money to be made out of marketing USM stocks does not justify the cost of over-extended research, and that inevitably affects the quality of what is available. The jury's still out on whether Big Bang is going to make any difference on that score."

Mr Alexander Hammond-Chambers, chairman of Ivory & Sime, feels that Big Bang and the accompanying changes in dealing systems have been another step towards breaking down the barriers between the main market and the USM, so that the only difference which now remains is the less demanding nature of the USM's listing particulars.

"I am not bearish about the USM companies or the market itself, but I think it has lost whatever individual identity it ever had and become merely a subdivision of the main market," Mr Hammond-Chambers says. Indeed, he speculates that the new third market which makes its debut in a few days' time may eventually take over the USM's function as a nursery for small companies.

Mr Hammond-Chambers draws a comparison between the London markets and the US ones, where the New York Stock Exchange is the predominant market, the American Stock Exchange is its poor cousin, and Nasdaq is the lively and thriving over-the-counter market. In Mr Hammond-Chambers' opinion, the new third market may well become the UK equivalent of Nasdaq, leaving the USM to become the poor relation of the main market.

In one sense this may be no bad thing, for if there is one test more severe than Big Bang yet to be faced by the USM, it is the onset of the next bear market. When the bears hit Nasdaq in 1973/74, says Mr Hammond-Chambers, stocks which had enjoyed 10 to 20 market makers suddenly found themselves with only two. The more akin to the main market the USM becomes, the more it should be able to stand up to these and other vicissitudes.

**Richard Tomkins**



USM millionaires

# More apparent than real

IN 1980, Mr Albert Hargreaves, Mr Arthur Medley and Mr Edward Smith were staring redundancy in the face. The trio were managers of the engineering division of British Industrial Plastics, itself a subsidiary of Turner & Newall, and adverse trading results meant the division was due to be closed or sold.

Today each man is a millionaire, through his shareholdings in Bipel Group, floated on the Unlisted Securities Market in June.

After buyers had been sought and none found, the three men launched a management buyout in 1981 with the help of National Westminster Bank. After quickly disposing of the parts-manufacturing business, the company grew by concentrating on compression presses and on the re-building and maintenance of old Bipel machinery.

By the time of the USM float, the company was recording pre-tax profits of just under £1m. Each of the founders sold shares to the value of £430,000; each retained stakes valued at over £1.3m at the placing price of 37½p.

The three men are among the newest members of what Touche Ross calculates to be a 585-strong USM millionaires club. However, in some ways, such fortunes are more apparent than real, since it would be impossible for most companies' major shareholders to sell their holdings without severely denting the share price. Touche Ross makes its calculations by taking the share price at the end of the first day of dealings and multiplying it by the number of shares held by individuals.

The history of the Moorgate Group, the marketing and public relations company, illustrates the transient nature of paper USM fortunes. After the group was floated in April 1985, co-founders Mr Jeremy Bond and Mr Jon Sayers each retained 35.5 per cent. At the placing price of 120p, eaching holding was worth around £2m.

By the time that Mr Sayers decided to leave the company in October last year, acquisitions had diluted his stake to around 25 per cent. Before the announcement of his departure, the shares had been consistently over the issue price. At one time they touched 189p, valuing Mr Sayers' holding at £3.4m; by the time his stake was placed, he received only 87½p per share, a gross value of around £1.6m, less that half what it had once been worth.

Cash-in-hand is the only precise definition of a millionaire, and Touche Ross calculates that only 43 individuals have realised a million in cash through a USM flotation.

Two of the new members of the "cash millionaires" club last year were Debbi and Randy Fields, founders of Mrs Fields cookies. Although the flotation flopped, with 84 per cent of the issue landing in the hands of the underwriters, Mr & Mrs Fields sold just under 18m shares at 140p each, implying gross receipts of around £25m. They also retain, with a charitable trust, 80 per cent of the equity.

Of course, it is wrong to assume that a USM float creates a fortune where previously there was nothing. Companies are still worth roughly the same after a USM float as they were before it. What does change is that the shares are in a slightly more liquid form. As Mr Hargreaves, of Bipel, put it: "Someone asked me after the float whether I felt like a millionaire. I told him that I had been a millionaire for some time, the difference was that now everyone knew it."

From the viewpoint of maximising personal wealth, a USM float might not be the best option available. Many companies chose to be bought out by publicly-quoted groups, either for cash or for the acquiring company's shares. Not only are the proceeds likely to be more liquid, the costs involved in organising a float can be avoided. Of course, the key factor is control. Company founders can realise a percentage of their wealth by floating off a minority of the equity, whilst keeping tight control of the group's destiny.

One founder who aimed for the best of both worlds this year was Mr John Hughes, of the Hughes Food Group, which joined the USM in July. He sold shares worth nearly £2m but retained control of the Humberside-based cold storage group via a 51 per cent stake.

Even if the founders retain control of the company, the reporting requirements of a public quote can still come as a nasty shock. Take Ford & Weston, the engineering and shopfitting group which joined the market in June. Mr Edward Stanger, the chairman and chief executive, retained a 44 per cent stake and grossed just under half a million in cash from the flotation at 85p per share.

The problems came in December, when troubles at a building subsidiary forced Ford & Weston to announce that pre-tax profits would be well below the flotation forecast. A blip in profits at a private company would have merited little attention; but the sponsors to the issue and the investing institutions were less than happy at the news and the company was forced to suspend the shares at 80p.

In theory, Mr Stanger's paper holding is still worth over £3m but in practice, 44 per cent of a suspended company is probably worth a lot less. He also faces the prospect of buying back the shareholders' stakes at the placing price or a possible takeover by a third party.

Not only do the putative millionaires face the hassle of post-flotation investors relations, but the period leading up to the float absorbs a lot of management time. "I worked three months solid on our USM quote," recalls Mr Jeremy Bond, of Moorgate, "that was a lot more than I expected." If issues flop after so much work, company founders could be forgiven for believing that there might have been easier ways of realising their money.

One barrier to issue success can be the perception that the USM is being used as a means to "get rich quick." Investors watch closely to see how much of the placing proceeds is going in the form of new money for future expansion, and how much is lining the coffers of existing shareholders. Too high a proportion in the latter category is likely to dent enthusiasm for the issue. Hoare Govett's annual USM survey found that the proportion of new money has fallen recently from 54 to 50.2 per cent, indicating that the "get rich quick" element is increasing.

The temptations of paper millionaireship will certainly attract more companies to the USM this year. But if investors are to be kept interested in the market, in the light of the challenge from the new third tier, the USM must avoid being typecast as a rich man's bonanza.

**Philip Coggan**

Broadcasting

# Year of sweet sounds

IN 1986 broadcasting, and television in particular, emerged as one of the most fertile sectors of the stock market, fuelled by a more benign political climate, buoyant advertising revenue and a succession of very visible flotations.

For the USM the flotation of TV-am, the breakfast television station, in the summer was probably the most important event in the broadcasting year.

But TV-am's appearance was accompanied by the introduction of Border Television; the re-rating of Central—which graduated to the main market in the autumn—and Tyne Tees; and a recovery in the fortunes of the independent radio stations City, Clyde and Piccadilly.

The broadcasting sector's buoyancy has been all the more marked in comparison with its lack-lustre fortunes in 1985. Traditionally, the City has, at best, been ambivalent towards independent television and radio companies which are perceived as being: over-reliant on a volatile source of income (advertising); vulnerable to legislative intervention from the Government and Independent Broadcasting Authority; and dependent on short-term franchises which can be whisked away as easily as they were awarded.

In 1985, developments within the broadcasting sector seemed to confirm the City's worst suspicions. Advertising revenue unexpectedly declined in the closing months of 1984 and remained lack-lustre until the autumn of 1985. Meanwhile, the Government posed a dual threat to the ITV network's equilibrium with its review of the Exchequer Levy on television profits and the formation of the Peacock Committee, which considered the future funding of the BBC.

Unsurprisingly, these events took their toll on the market ratings of the television companies. The radio stations, *which faced a revenue recession* of their own and the threat of future commercial competition from the BBC's radio network, also suffered.

Yet, in 1986, the broadcasting sector's fortunes reversed. Television advertising revenue recovered, rising by around 20 per cent to £1.2bn in the year as a whole and increasing far faster in the closing months of the year. The review of the Exchequer Levy on profits was concluded by the beginning of the year, and the Peacock Committee decided against advocating the introduction of advertising to the BBC.

The television industry's problems are by no means over. Advertising should settle down to more modest growth—by ITV standards, at least—of around 9 per cent this year. Meanwhile, a Cabinet committee is considering various proposals, including the possible privatisation of Channel 4 and a reform of the franchise allocation system, which could revolutionise the structure of the industry.

As for radio, advertising revenue mustered modest growth in 1986 although the future of the industry is still shrouded in uncertainty, and will continue to be so until the Government green paper on the future of commercial radio is published.

None the less there was enough good news around to prompt the City into boosting the fortunes of the broadcasting sector. A flurry of "buy" notices went out for the television companies from leisure sector analysts and the USM stocks have benefited as much as their main market counterparts.

TV-am is generally cited as the most promising of the junior market's broadcasting stocks. It went public in July and—buoyed by Thames Television's successful flotation a few weeks before, and armed with an entertaining rags-to-riches tale about its recovery from near-bankruptcy—emerged with a heavily *over-subscribed* flotation.

The breakfast station has since unveiled a surge in interim profits—which more than doubled to just under £4m—and is expected to produce around £8.25m for the full financial year. Its shares rose by 65 per cent to 215p, thereby valuing the company at £70m.

The future looks equally bright. TV-am has lots of scope for growth within the advertising market; it should benefit from the recent reform of the Exchequer Levy on ITV profits; and it could develop a lucrative new market with its plans to market the airtime for Channel 4's proposed early morning service next year.

Border Television, the USM's second new broadcasting issue of 1986, had a rather less spectacular debut when it slipped on to the market through an introduction in December.

The company, which broadcasts throughout Cumbria and the Border counties, is the smallest of the mainland ITV stations and was the last to go public. Its shares were previously traded through the Stock Exchange's Rule 535(2), but fared well in their early days on the USM, rising from the issue price of 37p to 50p by the end of the year.

The USM lost its largest broadcasting stock in the autumn when Central Television graduated to the main market. Central, which is the second largest ITV company broadcasting to the Midlands, joined the USM in 1983 when capitalised at £35m and is now valued at more than £90m.

Meanwhile, Tyne Tees, the contractor for the North East, has benefited from the general re-rating of broadcasting shares. Its share price slumped in the summer of 1985 when the problems posed by the ITV revenue recession were compounded by an industrial dispute, but has since recovered reflecting a series of healthier results. The shares rose by almost 80 per cent to end 1986 at 251p.

Flashback to first anniversary: TV-am presenters (from left) Nick Owen, Anne Diamond, John Stapleton and Wincey Willis when they celebrated the anniversary of the network.

Tyne Tees should benefit from the Exchequer Levy *reform*. With programmes such as The Tube and Supergran, it also has a healthy catalogue of material to market overseas and to the new media. The City expects an increase in profits to £3.25m in 1986, with another surge to just under £4m in 1987.

The USM's radio stations also fared well in 1986. The smallest of the three, Radio City, which broadcasts on Merseyside, returned to profit in the second half of the year after cost-cutting and the sale of the loss-making Beatle City exhibition. Its shares ended the year 72 per cent higher at 43p.

Radio Clyde, the Glasgow station, has had a rather erratic financial record since its emergence on the USM in 1984. After a buoyant year for advertising, profits rose by 58 per cent to £532,000 in its last financial year, however; and the share price followed suit, rising by 66 per cent to 58p.

Piccadilly Radio, which broadcasts throughout Greater Manchester, has had a rather less erratic record than its counterparts—profits rose by just nine per cent to £526,000 in the last financial year—and the recent movement of its share price has similarly been less dramatic, with growth of 19 per cent to 34p last year.

The independent radio network expects another year of modest revenue growth in 1987, and the publicly-quoted stations should benefit from the imminent main market flotation of Capital Radio, the London station. But none of the stations can afford to be sanguine about the industry's prospects until the Government green paper on radio emerges early next month.

**Alice Rawsthorn**



American companies

# Low costs attract

DURING THE second world war, GIs stationed in Britain were popularly known as "overpaid, oversexed and over here." Now there is a new group of US invaders, companies seeking listings on the USM, and their rather patchy record prompts the gibe that the issues have been "overpriced, overhyped and undersubscribed."

*Despite the poor performance* of some of the early issues and the dismal response to some recent flotations, it seems certain that the invasion will continue. There are 14 US companies currently on the market, and with other foreign groups they form the second biggest USM sector.

What are the attractions of the USM for American groups?

First of all, the flotation costs are substantially smaller than on the US markets. Underwriting costs, for example, absorb around 5 per cent of the capital raised in a US public offering, compared with an average of 2 per cent in London. Total entry costs on NASDAQ, the US's nearest equivalent to the second market, have been estimated at around 20 per cent of issue capital, compared with 9 per cent on the USM.

It is hard to criticise managements for minimising issue costs. As Borland International's president, Mr Philippe Kahn, said when his company was floated: "I'm proud to be spending the company's money wisely. I would much rather be putting that money into developing the company's products than paying attorney's fees."

Second, the percentage of the company's equity which a company has to release via a USM float, at 10 per cent, is much lower not only than the main market's 25 per cent but also than the average in the US. That was particularly useful for Mrs Fields, where the founders needed to release less than 20 *per cent of the capital* to keep their tax advantages.

Third, Rule 144 under the Securities Act 1933 in the US imposes considerable restrictions on the sale of shares by founders of companies. In the UK, it is more usual for founders to realise some of their wealth in cash at the time of the flotation.

Fourth, US security laws forbid profit forecasts to be included in the prospectus. That can prove a handicap to fast-growing companies since independent estimates of the prospective earnings might understate their potential. Accordingly, some US companies are attracted by the prospect of higher issue multiples on the USM than they could achieve at home.

Finally, some companies feel that a London listing will improve their visibility in Europe and make a base for their expansion there. The growing internationalisation of the market means that this is an argument which should increase in frequency.

All the above reasons are more important than an oft-cited motive for US listings—lower disclosure requirements. It is true that, technically speaking, companies which come to the USM via a placing do not have to issue a full accountants report. It is doubtful, however, whether investors would look very favourably on such a flotation.

The honour of being the first US company to join the USM is generally credited to Nimslo International, the 3-D camera maker, which was floated in November 1981. Technically, however, Nimslo was Bermuda-*based. Whatever its provenance*, its cameras failed to sell and it was not until the second half of 1984 that the group was able to record its first profit. Nimslo was forced to sell off its US portrait photography operations the following year and the shares remain stuck at around 10p.

But it was the much-derided Mrs Fields who drew attention to the rising flood of US groups on the USM. There was much about the company, from the glamour of the eponymous founder to the cookies it sold, that attracted flights of fancy from the headline writers. Few could resist the tag, "How the cookie crumbled," when 84 per cent of the issue got left with the underwriters.

Investors' suspicions were roused by the complexity of the holding company structure, the fancy rating, the prospect of a rising tax charge and by the motives of a USM entrant with 97 per cent of its turnover in the US. Talk about the importance of London as an international equity centre failed to convince.

But Mrs Fields may yet have sweet revenge. The group's first results since joining the market revealed trebled pre-tax profits at the interim stage, well on target for the full year forecast of $18.5m.

The tribulations of the cookie company failed to discourage another large American issuer last year, Borland International. The Californian software house joined the market in June, with a market capitalisation of around £85m. In the event, Borland's courage was rewarded; its offer for sale was oversubscribed and the shares *leapt to an immediate premium.*

There is a danger, after the reception accorded Mrs Fields, that US companies might in future think twice about coming to the market. One of those which has already joined remains enthusiastic. In late 1984 Pacer Systems, the US defence supplier, started to investigate the possibility of an initial public offering (IPO) in the US. "The responses were quite negative," said Mr John Rennie, Pacer's chairman, "for a company of our size in our industry."

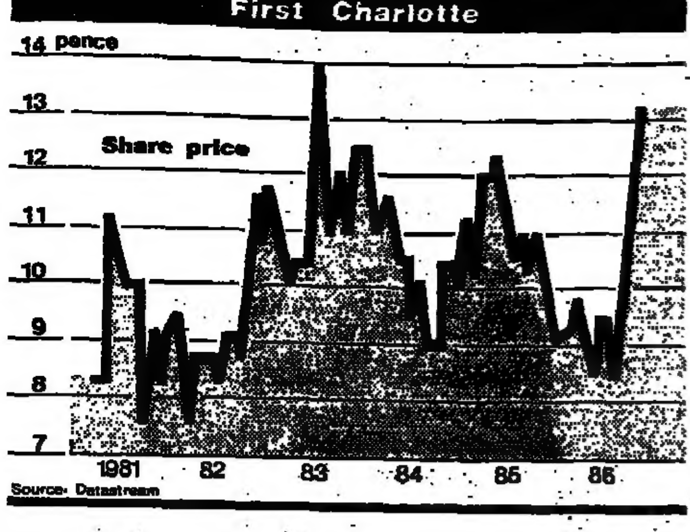
A contact alerted Mr Rennie to the possibilities of the USM, and after what Pacer described as "astounding" speed, the company joined the market in June. In a *speech last October*, Mr Rennie extolled the virtues of the market, citing the "sensitivity to small, growing companies," the "realistic entry thresholds," the ease of transfer to the main market and of raising additional funds and the reasonable cost of capital.

While those kind of attractions remain, Mr Rennie will probably not be the only American enthusiastic about the market.

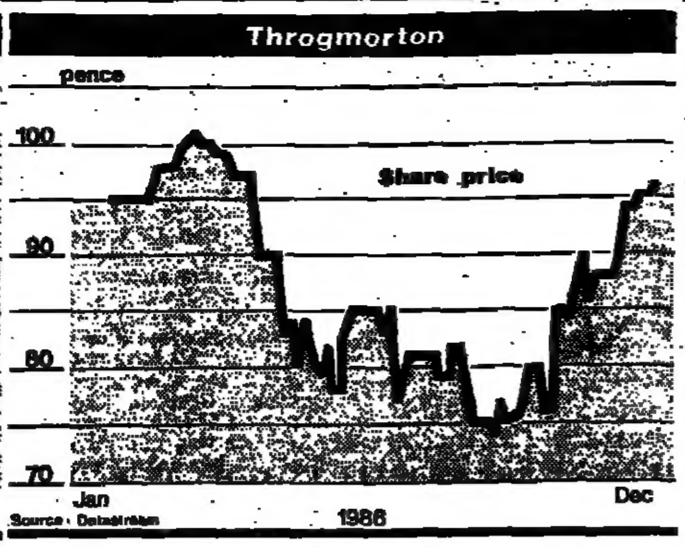
**Philip Coggan**

## Unlisted Securities Market 7

First Charlotte




Throgmorton




Private investors

# Four options in the high-risk zone

PICKING WINNING shares is never easy. On the Unlisted Securities Market, where new issues abound and performance records can be short, there is an added problem—avoiding the ultimate losers. So small investors, keen for a slice of the action but loath to risk hard-earned savings on their own judgment, may prefer to lean on professional management.

They will find that the options are limited—though at least expanding.

In the past, Department of Trade rules barred authorised unit trusts from investing more than 25 per cent of any fund's monies in USM stocks (or more than 20 per cent if the managers also opted for the maximum 5 per cent in unquoted).

As a result, USM funds either operated offshore—like Britannia's—or were unauthorised and restricted to institutional clients (Temple Bar's).

At the beginning of 1986, that changed. The DTI ruled that funds could hold up to 100 per cent of assets in USM companies, provided that fact was advertised to potential investors. Managers would need to make clear the objectives of a USM fund, explain the higher risk involved, and set out the different requirements of a USM and full market listing.

The result has scarcely been a deluge of new funds. However, Guinness Mahon—which took over the Temple Bar trusts in 1985—immediately converted Temple Bar USM into an authorised fund. And Britannia, whose management is now merged with MIM's, is reviewing the position of its Jersey-based trust.

Similar freedoms have been available to investment trusts for a lot longer. In early 1981 the Stock Exchange relaxed its listing requirements for investment trusts also coincidentally, lifting the level of unquoted investments which a trust can carry from 15 to 25 per cent of gross assets and permitting American OTC issues to count as quoted shares—and within a week Ivory & Sime launched First Charlotte Assets, the first USM vehicle.

Even so, worries about the USM's liquidity and the availability of quality stocks meant that it was not until May last year that First Charlotte acquired a rival—the Throgmorton USM Trust—in this case with a limited, seven-year life.

In short, private investors seeking easy USM exposure now have four reasonably-accessible options. So how do their attractions rank?

Not very favourably. Anyone who put £1,000 into First Charlotte at the initial 10p placing price would find that his money was worth just £1,300 over five-and-a-half years later. The maximum his investment ever reached was £1,400 and the minimum £746.

The offshore Britannia fund has fared little better. Founded in October 1981, it had turned £1,000 into £1,637 by its fifth anniversary. Records for the Throgmorton and, post authorisation, Temple Bar funds are too short to be of much value. But for what they are worth, Throgmorton is trading at a small discount to the 100p ordinary share issue price and the past months to November. Money Management figures show that anyone investing in the Temple Bar trust would also have suffered a small loss. Guinness Mahon, however, adds that over the entire four-year life of the fund, any investment would have quadrupled.

Fund managers, however, refuse to be downhearted. "We're probably more optimistic than we were at the launch," says Ivory & Sime. "It's not been particularly rewarding over the past five years but we've lived with the ups and downs of the USM. The fund has done a lot better in the last nine months."

There is evidence to back their point. The latest half-year results—to end-September—produced an 18.2 per cent annual increase in net asset backing, up from 11p to 13p, and an 8.2 per cent rise over the six month period when the USM index itself showed a small fall.

Fund managers, however, say this improvement reflected little change in policy—they have consistently aimed for solidly-managed companies, rather than start-ups or family-owned businesses merely using a quote to cash in holdings.

Five stakes now account for one-quarter of First Charlotte's £10m assets: Hawtel Whiting, the design engineers; Goodhead Print; TV-am; LPG distributor, Flogas; and McCarthy & Stone, which builds sheltered housing and is now on the main market. Although there is no compulsion to dispose of stakes when companies move up to the main market, three chunky holdings in graduate companies have disappeared from the portfolio recently—Wight Collins Rutherford and Scott, Berkeley Group and Steel Burrill Jones. Indeed, Ivory & Sime is currently reducing exposure to ad agencies generally—worried about the strains of recent acquisition financings if the sector turns sour. It prefers the look of small technology companies, adding the likes of Coline and SAC International.

The two unit trusts are slightly different in character. Both, like First Charlotte, aim to spot USM winners and hold the shares long-term, and both point to Blue Arrow as the ideal portfolio stock. However, the £3m Temple Bar fund is more widely-flung, taking in some 65 holdings, the largest of which include Colline, Hawtel Whiting, NMW, Moss Advertising, Robert Horne, Thermal Scientific and Zygal Dynamics. According to fund manager Peter Knapton, the trust grew some 15 per cent as a result of authorisation.

MIM-Britannia's fund, by contrast, has seen a number of unitholders cash in recently—with the result that the fund halved in size to around £2.2m in year to November. Those redemptions, which managers claim were caused partly by institutional disenchantment with the USM, have not made life easy—in particular, it has left the fund with some 15 per cent of its assets in unquoted stocks.

Total holdings of the fund now number some 35, and the largest include Aspen Communications, Leisure Investments, Monks & Crane and Blue Arrow.

Throgmorton USM is the biggest of the quartet—starting life as a £20m fund, £6m of which came from an existing portfolio of USM stocks transferred from Throgmorton Trust and £14m of cash raised via an offer for sale of ordinary and preference shares.

Despite the poor initial reception, when one-third of the ordinary shares were left with the underwriters, early progress has been encouraging. The money is now invested in 60 to 70 stocks, and between June and November net assets backing increased from 107.6p to 116p.

What cheers fund managers all round is the prospect of increased investment opportunities, and—post Big Bang—an improvement rather than the feared deterioration in the liquidity of better USM stocks. "The number of management buyouts means that companies are going to need listings," says Ivory & Sime. "There will also be the venture capital and BES stocks coming through—which is very positive for the USM." "Turnover in the USM has actually been higher since October," adds Peter Knapton of Guinness Mahon. "It's not the problem we expected."

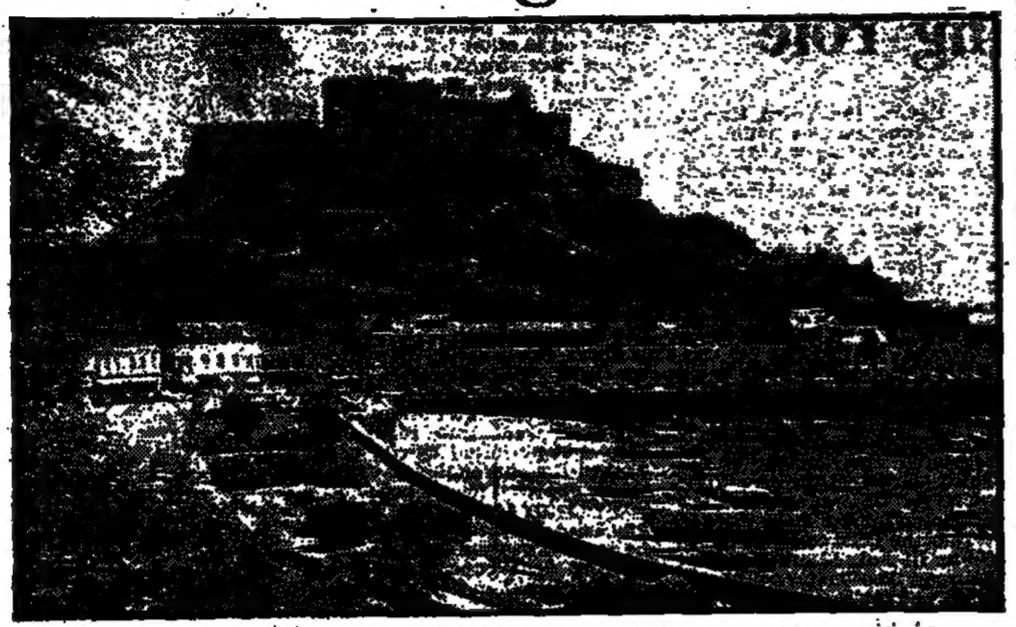
The managers are less certain what possibilities the "third market" may hold. Ivory & Sime took up some shares in the Catalyst Communications placing last month—its first OTC stake to date and the unit trusts have been equally cautious. The Throgmorton Trust picked up a 9.9 per cent holding in restaurant group Oodles in June, which is traded under Rule 535, but says that, despite the ability to hold up to 25 per cent of assets in unquoted and OTC shares, around 90 per cent of assets have actually been directed into the USM. Of the third tier, it sums up managers' feelings by saying "these are early days."

But even if prospects for USM funds are brighter, private investors should still ponder the merits of general small companies fund, rather than one restricted to a specific market. Performance records have been a lot more creditable.

In the five years to November, none of those with a sufficiently long track record failed to at least double investors' money. The best performers—like the Schroder, County, Barrington and Arbuthnot funds—more than trebled it.

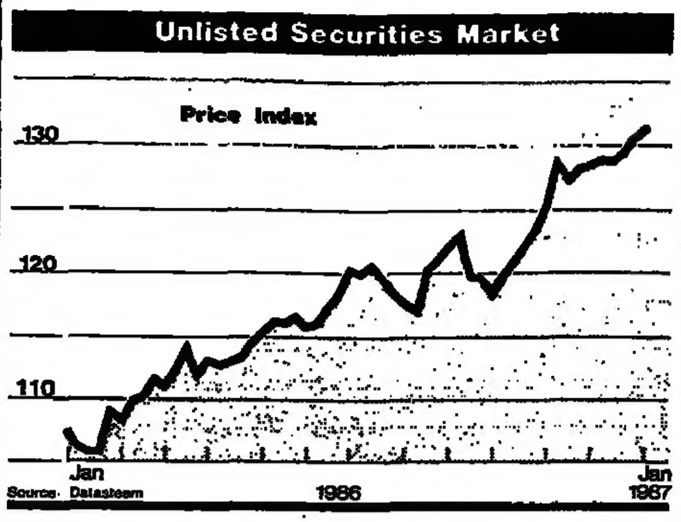
True, these funds are generally restricted to the 25 per cent limit on USM plus unquoted stocks but most find that offers plenty of leeway. Mr Richard Hughes who manages the M & G fund, says: "The USM proportion tends to stay around 10 per cent—the better stocks often either graduate or are taken over." Private investors should take note.

**Nikki Tait**



In Jersey, Britannia, now merged with MIM, is reviewing its position. DTI rules no longer oblige USM funds to consider offshore operation.

Unlisted Securities Market




# The hazards of a changing role

CONTINUED FROM PAGE 1

made little difference to the pattern of trading on the USM. The market in the shares of the smaller, less active companies is as sluggish as ever; while the larger, more active stocks are a little more liquid.

The Datastream USM Index has risen gradually since the Big Bang, but the turnover of shares has increased by an encouraging 35 per cent, albeit rather more slowly than that of the main market.

It is, however, too soon to make general judgments on how deregulation will affect the market in small companies' shares. The climate of uncertainty created by the Big Bang, combined with the longer-term consequences of the revised rules for new issues, leaves little scope for complacency.

These problems and potential problems nothwithstanding, the introduction of the Third Market offers yet another source of uncertainty for the USM.

In theory, the Third Market should function as a junior tier to the USM, acting as a breeding ground from which companies can graduate to the USM and thence to the main market. But this theory is posited on the assumption that each market will adopt a clearly defined role, thereby acting as the natural niche for companies of a certain age or size. In practice it may not be so simple.

There is a very real risk that the smaller, younger ventures that would otherwise have contemplated flotation on the USM will opt for the less rigorously regulated environment of the Third Market, at the same time as larger USM candidates are plumping for the main market.

Thus the USM could be left to fill an ill-defined role hovering between the maturity of the main market and the verve of the third tier. Yet in its early years it has proved to be more robust a market than its critics predicted, and it may confound them again.

PROFILE: BLUEBIRD TOYS

# Playing against the odds

WALK INTO any toy shop and the chances are that the goods grabbing most attention will be those involving sophisticated gadgetry. One USM company, however, is proving that it is not necessary to be high-tech to be a hit with children.

Bluebird Toys makes products which operate on simple principles: "We have just about invented the wheel," jokes Mr Torquil Norman, company chairman. Less than seven years after starting up, however, Bluebird has annual profits of about £1.5m, a workforce above 350 and a share of the UK toy market of more than 1.5 per cent.

The company also has a small but growing fan club in the City. In the two years since it joined the USM its share price has more than tripled from 90p to above 290p, making it one of the market's more impressive performers.

The rise of Bluebird is all the more notable because it has happened as other UK toy companies have struggled or sunk.

Famous companies which have gone into receivership in recent years include Airfix Industries, Lesney Products and Dunbee-Combex-Marx. The number of people employed in toy manufacturing has fallen during the last decade from about 25,000 to about 10,000.

Bluebird owes its existence to the celebrated boardroom row in 1979 at Berwick Timpo, the toy company where Mr Norman had been managing director for 12 years. He was worried about the way the business was going—his fears proved justified four years later when the company went into receivership—but he failed by one per cent of the shareholders' votes to win approval for his policies.

"Suddenly I was out of a job and I did not know what to do," he says. "However sitting doing nothing does concentrate the mind. It was then that I had the idea for Big Yellow Teapot."

BYT is a brightly coloured toy in the shape of both a teapot and a house, and comes complete with a teapot family, a teacup car and furniture. Its simplicity appeals to children between the ages of three and seven, and sales in 1985, the peak year, were around 120,000.

Another of the ideas which launched Bluebird resulted from the decision by the Conservative Government to raise the price of school meals in the early 1980s.

"It was clear that the demand for children's lunch boxes was going to rise significantly but when I looked around the market there was little available," says Mr Norman. "All I could find were Tupperware boxes."

Again the Bluebird product is uncomplicated: colourful boxes, with handles, are decorated with favourite characters such as Postman Pat and Thomas the Tank Engine. Each box contains a break-resistant flask.

Bluebird now makes products in more than 60 categories, all aimed at children under 10. The advantage of this market is that it is less vulnerable to changes in fashion than toys for older children. Thus Big Yellow Teapot enjoyed sales growth for five years, a long time in the toy industry, and when demand did start to fall last year it was partly because Bluebird had introduced a similar product, Mr Chimney Pot.

Bluebird's growth has also been helped in the last few years by the weakness of sterling. In the late 1970s and early 1980s the strength of the pound was one of the main factors in the UK toy industry's decline.

One of the company's greatest advantages, however, has been its production methods. Bluebird designs, assembles and sells its products but other companies manufacture the components. Direct labour as a percentage of sales is only about 5 per cent and investment in heavy, and costly, machinery is unnecessary. Overheads are therefore kept to a minimum and cash generation is strong."

The balance sheet at the end of December 1985 showed net cash of £2.1m. In spite of increased spending on advertising and new product development this figure is likely to be higher when accounts for the year just ended are published.

Clearly Bluebird is well placed to make acquisitions, although Mr Norman is cautious about the possibilities. "If we buy, the purchases will probably be smallish ones we can easily absorb," he says.

Even without acquisitions, analysts believe the company should be able to achieve its target of two per cent of the toy market by the end of the year.

About a dozen products will be sold for the first time this year and the company says orders are encouraging. Bluebird will also benefit from the increased commitment to toys by major retailers like Boots and Woolworth.

For the year just ended the City expects Bluebird to show pre-tax profits of about £1.5m on sales of £10.5m. This year it should sell about £13.5m of goods to make profits of about £2m.

With the shares at around 290p, the prospective price earnings ratio for 1987 is about 13.5. The troubles of the toy industry in the last decade will put some investors off but most analysts believe there is scope for the multiple to grow and have Bluebird down as a buy.

No wonder Mr Norman describes the company's time on the USM as a brilliant experience.

**Michael Smith**

Alan Harper

Mr Torquil Norman: success began with a yellow teapot

**BLUEBIRD TOYS: TURNOVER AND PROFITS**

(£000)

| | 18 mths ended Dec 31 1981 | Year ended December 31 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|
| Turnover | 1,222 | 2,339 | 3,566 | 5,570 | 8,682 |
| Cost of sales | (680) | (1,466) | (2,136) | (3,280) | (5,040) |
| Gross profit | 542 | 873 | 1,430 | 2,290 | 3,642 |
| Profit (loss) before taxation | (12) | 44 | 245 | 739 | 1,265 |
| Taxation | — | — | — | (317) | (508) |
| Profit (loss) after taxation | (12) | 44 | 245 | 422 | 757 |
| Earnings (loss) per share (based on 5,950,000 shares in issue at December 31 1985) | (0.2p) | 0.7p | 4.1p | 7.1p | 12.7p |



PROFILE: PARKFIELD

# Classic mini-conglomerate

LIGHTNING RARELY strikes twice. Shares that top yearly-performance tables often find it difficult to maintain their impetus. But Parkfield, the engineering and distribution group which was the USM's top performer of 1985, more than doubled its share price last year.

When the group joined the market as Parkfield Foundries in January 1981, it did not look much like an investor's favourite. At the then placing price of 13p, its market capitalisation was only £390,000, and the recession soon dented demand for its heavy duty iron castings. By the year ending April 1983, the group had slumped to a £206,000 pre-tax loss. Today, the group's market capitalisation is around £60m and, despite a much extended equity base, the share price has topped 200p.

The position began to change after Mr Roger Felber, a former Air Florida executive, joined the board in September 1983. In the process, he acquired a 22 per cent stake in the company by underwriting a two-for-three rights issue. He became chairman in January 1984 and executive chairman in May 1985.

Since joining the group, Mr Felber has built a mini-conglomerate on classic lines, by buying private companies with higher-rated publicly-quoted shares. The acquired companies' management have then been encouraged, via profit bonuses and share options, to expand their companies, subject to financial controls from the centre.

"Two kinds of companies interest us," explains finance director Mr Anthony Capper, "non-core businesses of large groups and family-owned companies which have reached a size where they face a choice between a stock market flotation and a buy-out by a large group." Once bought, Parkfield looks for immediate cost-cuts to help reduce the effective price of the acquisition by around a half.

Polarcold, a press work and fabrication company, had previously been a subsidiary of Comet. It had long been targetted as a disposal by Woolworth, which did not see it as a logical part of its activities. But Polarcold had made pre-tax profits of £350,000 in the previous year while working at less than half capacity, and Parkfield was able to bring in work from its existing customer base.

Polarcold was only one of nine acquisitions that Parkfield made last year. Apart from building up the group's engineering activities, Mr Felber has added a group of distribution companies, beginning with Foster Electrical Supplies, bought from Thorn EMI in May 1985. Foster is an electrical goods distributor, and Parkfield has since added records, heating products and pharmaceuticals to its distribution arm.

By far the largest of the distribution companies is Lightning, which has an annual turnover of around £40m and supplies retailers with records, cassettes and compact discs. It was bought in July as part of a £15m three-company package which more than doubled Parkfield's turnover.

All the purchases have been paid for with Parkfield's paper. That allows the group to apply merger accounting, avoiding goodwill write-offs. It also gives it the scope for capital expenditure. For example, Parkfield plans to invest £1.5m in Thompson Industries, the pressings company bought from Rockwell for £2.8m in October.

None of these acquisitions would have been possible had there not been a turnaround at Parkfield's original business, foundries. Soon after he joined the company, Mr Felber merged the adjacent heavy and lighting foundries, cutting costs immediately by around £30,000 per month. When Parkfield then sought to increase its market share and introduced a new electric melting furnace, its lower cost base and high technical merit allowed it to turn the foundries from loss to around a £600,000 profit in the last financial year.

What are Parkfield's future plans? A transfer to the main market has been mooted for some time, and Mr Capper confirms that it is likely before the end of this year. "We're getting to a size," he says, "where everybody would prefer us to be a fully-listed company." Although there is no problem about trading Parkfield shares—it is rated as a beta stock by the Stock Exchange—a full listing would be a boon should Parkfield's appetite for acquisitions extend to larger targets.

The group seemed to gear up for an accelerated acquisition programme in July, when three new board appointments were made. Mr Capper became finance director after many years at Tate & Lyle, and Mr Brian Kemp and Mr Frank Tilston joined from British Alcan and United Technologies respectively. However, the group is likely to continue to operate with a decentralised organisation, without any formal divisional structure.

All last year's acquisitions are currently profitable, and the enlarged group is expected to make pre-tax profits of around £8.5m for the year to April, compared with £2.35m last year.

The next burst of growth may be harder to achieve. According to Mr Hawkins, of Panmure, Gordon, "The recent acquisitions will take more time to be fully integrated. They were bought on higher price earnings ratios." That might restrict the market's appetite for more Parkfield shares, and with the prospective p/e currently sitting at around 10, the scope for further earnings-enhancing acquisitions may be limited.

**Philip Coggan**

Roger Taylor

Mr Roger Felber: things changed after his arrival